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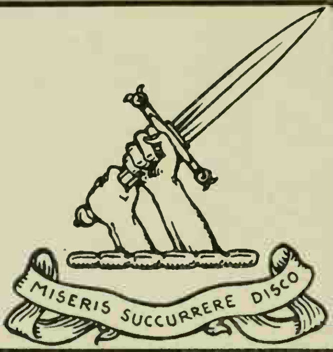
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MYSTERY MEN
OF WALL STREET

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of WALL STREET

The Powers Behind the Market

By

EARL SPARLING

Illustrated with Portraits
by SEYMOUR MARCUS

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For My Brother, Hugh

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INTRODUCTION

THE NEW APPIAN WAY

Wall Street once ran from a graveyard to a river, It runs now from an ocean to an ocean, and beyond.

It has become, in Dr. Charles A. Beard's measured words, a new Appian Way of the world.

As the Street has changed, the men who rule it have changed, too. Giants of a new breed are in control today, as different from the Vanderbilts and Harrimans and Morgans of the past as the Street is different from the railroad right of way and the bankers' byway it was formerly.

This is the story of the new kings, whose shadows lengthen across a continent, and of the battlefield marshals who carry out their far-flung campaigns. In part, also, it is the story of the "greatest bull market in history," which they dominated, and the "worst collapse in stock values of all time," which they survived.

These men operate in the stock market on a scale never dreamed of before. They speak casually of billions as the men of the old Wall Street spoke of millions. They have destroyed precedent and tradition. They have taken all industry as their field. They have ushered in an era of major manipulation, of tidal movements in speculation, of pools and syndicates so enormous that the operating combinations of other days are dwarfed to toy proportions. They move so vastly that the outmoded machinery of the New York Stock Exchange has collapsed under the strain of keeping pace and must be rebuilded in high-speed steel. Indeed, they move so spaciously and with such unprecedented results that the Republic, for the first time in its history, has seen its mightiest bankers scurrying publicly into conference and pooling their resources in an attempt to preserve, not financial order, but market order.

Because America was such a waste of land, transportation created the greatest fortunes in the beginning and gave the greatest control in Wall Street. For generations the railroad barons ruled—the Cornelius Vanderbilts, Daniel Drews, Jay Goulds, Jim Hills, E. H. Harrimans. Their conflicts and mistakes shook the nation, caused one panic after another from the seething sixties right down to trust-building, trust-busting 1907. As the gilded age of the nineties gave way, however, to the tutti-frutti years of the new century, a new type of men led by J. Pierpont Morgan, the elder, the Augustan, gained ascendancy. These men were buyers—not builders—money-lenders, amalgamators, heroes of monopoly and merger.

The change was gradual, not clearly demarcated. There was a confusion of purposes. The railroad barons, toward the end of their dynasty, became bankers, and bankers became railroad barons. In the end the railroad barons, themselves, were buyers, not builders. The steel bands of the empire had all been forged by 1900, and there was nothing left to do but amalgamate them. Amalgamation, the easiest way of all to make money, became a habit among rail barons and money barons alike. It was at E. H. Harriman, colossus of the roads, as much as at J. Pierpont Morgan, colossus of the banks, that Theodore Roosevelt shook his trust-busting fist and his big stick in the reverberating days of 1907. But, in long perspective, the shifting of power is unmistakable. In 1868, while bankers stood by, helpless, Jay Gould and Jim Fisk, railroad buckaroos, could come astoundingly close to cornering the free gold supply of the nation. By 1895 Morgan could prevent a worse panic than Black Friday by selling the nation $65,000,000 in gold, as much or more than the United States Treasury contained at the time. In the panic of 1873 only one banker, the unfortunate Jay Cooke, stood forth in clear delineation with Vanderbilt and Gould for posterity to remember. Indeed, he, banker to the government, foremost money-lender of his time, precipitated the panic, but he did it by going bankrupt trying to build a railroad, the Northern Pacific. By 1901, when Hill and Harriman waged drawn battle for possession of the 47,360,000-acre Northern Pacific empire Cooke had lost, it was not so much their fight as the fight of their bankers, Morgan for Hill and Jacob H. Schiff for Harriman.

However slowly and indefinitely the change took place it finally reached completion. During the later years of the first quarter of the twentieth century desk men sat in undisputed control until the symbol of Wall Street became universally a cartoon picture of a broadly bay-windowed plutocrat in top hat, frock coat and gaiters. Wall Street, under their regency, became a routine, standardized place. Few great operators emerged. The several who did were usually lieutenants to the bankers, Jim Keene, for example, market gladiator for Morgan. Brokers conformed more surely year by year to a conventional, gardeniaed pattern. The days when Harrimans could rise from brokers' seats to national dominion were over. But out in the West transportation was spawning a new industry and a new race of giants. Most of the new kings of Wall Street were to be Westerners. Many of them were to be hard-handed, hard-headed men who had pioneered the automobile.

These automobile pioneers, who were to stride into the Street, were hard with struggle, tempered by unbelievable competition in the swiftest rise and clash of fortunes the world had ever seen. The victors emerged with entirely new theories of industry and economy, epitomized (albeit he was not one of those to brave Wall Street) by Henry Ford, who twice in times of panic, in 1920 and later in 1929, challenged disaster by reducing the price of his automobile and, at the same time, increasing the wages of his workers. Wall Street, and the bankers who once had ruled it, had never seen that done before, and equally strange things were happening closer at hand. Defiant of tradition and precedent, operating on a scale never dreamed of in the past, these new men were helping to develop a stock market boom without example in Wall Street's history.

These newcomers had learned lessons from both the railroad corsairs and the banker trust-builders. They had the courage of the rail barons being more or less of the same breed. They added to that courage the caution of the banker amalgamators, their aversion for competition. There was not a bear among them. They might wrest fortunes from other men who played according to rules of the past, but there would be no preying on each other. They were a happy financial family, the first of its kind. They were all bulls, all optimists, on the up-and-up with everybody and everything. They worked in a faithful unison that left the old Wall Street bewildered.

Naturally, the "greatest bull market in history" resulted because with so many bulls in the field and no bears to match them the long, rising market from 1925 to 1929 was inevitable. There wasn't a market raider in America, nor any combination of them, strong enough to beat down prices thus supported. Many tried, to their sorrow, Easterners playing the game according to rules of the past. Time and again these Eastern men went short on the market the Western men were building and they lost millions. They made the mistake of judging by precedent, and this thing that was happening had no precedent.

Gradually, as prices went higher and higher, the public flocked in. If that had not happened there would be a different story to tell. The optimists from the West would have found themselves all loaded up with no place to go. But the public bought as never before. Millions of men who had never touched stocks began speculating on margin. The number of stockholders in America increased, according to estimate of one of the new rulers of the market, from 3,000,000 to 15,000,000 in the four years ended in 1929. There had been waves of public buying in other boom markets, of course, but never on such a scale.

In describing how the public got in on the McKinley market in 1901, writes Edmund Clarence Stedman, the Stock Exchange historian,

> The business of commission houses swelled beyond all precedent, and weary clerks toiled to midnight adjusting the accounts of lawyers, grocers, physicians, waiters, clergymen and chorus singers who were learning to acquire wealth without labor. From every lip dropped stories of fortunes gained in a week by this or that lucky stroke. Florists, jewellers, perfumers, restaurateurs and modistes rejoiced in the collateral prosperity secured to them by the boom in stocks.

He might almost be describing the Coolidge market, a quarter of a century later, except that his hyperbole would have to be increased at least five hundred per cent. The record day's trading in the panic of 1901 was 3,270,000 shares. The record in 1929 was 16,410,030. Clerks worked, not until midnight in 1929 but all night and a number of nights in a row.

To find anything quite like what happened when the giants of the Coolidge market took control, you must go farther back than 1901—all the way back to 1792 when the Republic was still toddling and the "Washington" market that Alexander Hamilton launched came to its disastrous end. Then, in a lesser extent 137 years later, every one actually was involved—farmers and mechanics as well as bankers and plutocrats—in a boom and panic purely speculative in origin and meaning.

The nation was so new and small in 1792 that practically everybody—the rich and the poor alike—had a stake in it. It had grown so fat and rich by 1929 that, after a century of conflict, labor against capital, practically everybody again had a stake, a surplus to gamble on the future. If 15,000,000 of the 120,000,000 Americans were stockholders, then, estimating a family at three to five persons and allowing one stockholder to each family, from 45,000,000 to 75,000,000 people were interested in the stock market of 1929.

And, as James Madison wrote to Thomas Jefferson in

1791: "Stock and scrip the sole domestic subjects of conversation . . . speculations . . . carried on with money borrowed at from two and a half per cent a month to one per cent a week." The words would have applied as well in 1929 as they did then except that money, twenty per cent on call, was a bit cheaper. The warning words printed in the *New York Advertiser,* August 9, 1791, would have applied even better: "The National Bank stock has risen so high, so enormously above its real value, that no two transactions in the annals of history can be found to equal it."

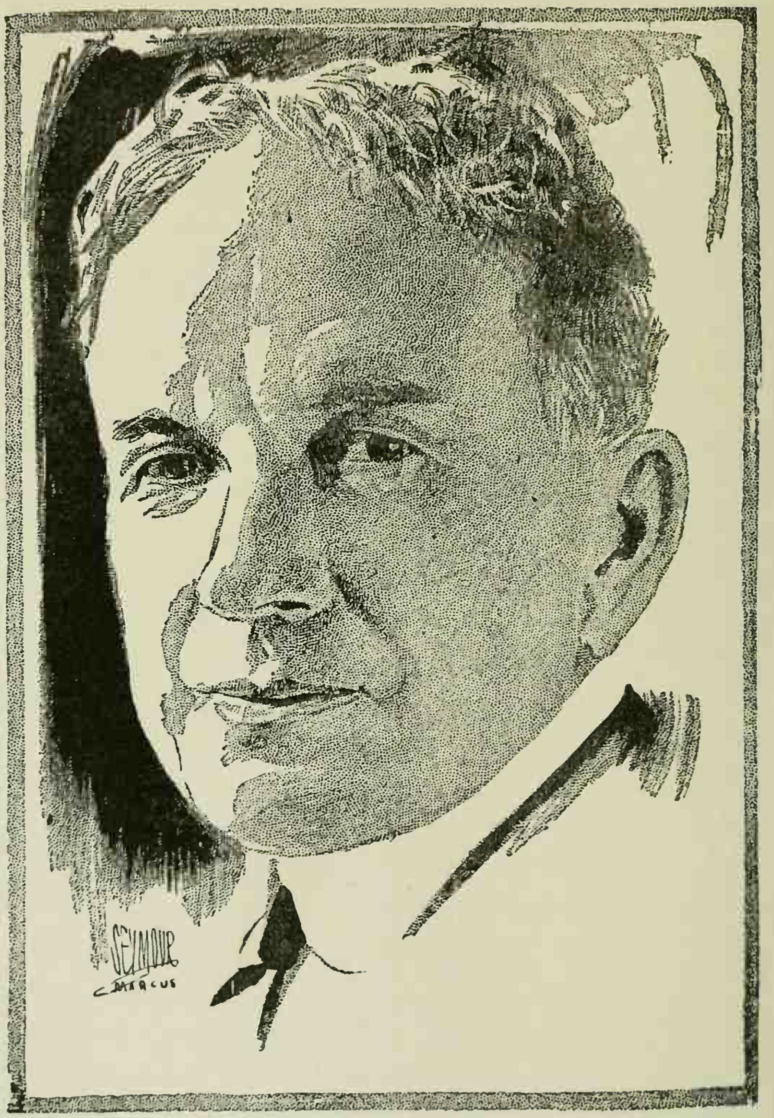
As a matter of fact that stock, scrip of the United States Bank, forerunner of the Federal Reserve Bank, boomed only to twenty-four pounds and two shillings, about $120. Those bewigged newspaper men of 1791 would have spilled some snuff down their lace had any one told them of days when stock of banks, ordinary banks, not Federal ones, would be valued, in one case, at $8,800 a share, and in another case, by bankers themselves, who had caught the spirit of the day, at nearly sixty times its earning power.

In 1929 stocks were valued habitually at fifteen and twenty times their earnings. As the *New York Times* said in its general financial article on October 24, 1929, in explaining the decline to that date (that was in the morning and the real crash was to start later in the day), there "was necessity for the readjustment of price levels for many issues which have been selling at fifteen to 150 times their earnings, the result of an over-enthusiastic buying public and pool manipulation." One stock, Radio Corporation of America, a speculative favorite, rose from $25 in 1924 to $570 on a split share basis in May, 1929, without any dividends ever having been paid at all.

Not all of the men whose stories are told in the following pages are Westerners. The stories include brokers and lieutenants and present as a whole a sort of cross section of Wall Street to-day.

But, as the *New York Times* said on September 30, 1928, it "is easily demonstrated that the West controls the present market." That is true. It is not too much to say that the Coolidge market would not have been what it was except for the Western men, literally a band of financial Paul Bunyans, children of a tall country, tutored to an expansive philosophy of exaggeration, accustomed to tall tales and tall doings.

MYSTERY MEN
OF WALL STREET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I

WILLIAM C. DURANT

Master of the Market

A NIGHT in April, 1929, and all was placid along the Potomac.

The election and inauguration, bothersome things both, were over. Cheerful with spring, Washington was slipping, even more smugly than the rest of the land, into the rut of another four years.

It would be, who could doubt, another four years of Republican prosperity.

Even the government clerks, hastening that night to a passionate, vicarious rendezvous with Greta Garbo, could feel that all was right with the world. They could glance through the high iron fence of the White House grounds and feel they were looking at the home of a friend, one of their own, promoted from a department, a big boss who knew their problems. The lights of his new home, sparkling through the spring trees, carried to them and to all the land the warmth of an immutable status quo. All was right with the Republic. The new President was entertaining at dinner.

Happy end of a happy decade—Harding, Coolidge and

Hoover. To the future! Away with any icy doubts about this Republican prosperity. To a future more incredible than the past. Prosperity forever. More mass production, up thirty per cent since 1922. More national income, up twenty per cent from Harding to Hoover. More wealth, more dividends, more stock to buy, more stock to issue, more soaring records in roaring Wall Street. Away with doubts. All was right with the Republic, and with Washington beside the placid Potomac. Soon Senator Tom Heflin would be blooming forth in his alpaca Prince Albert and soon the cherry trees would be blossoming down on the Fill.

But now sharp at 9.30 P. M., well chosen hour, a strange vehicle turns into the White House grounds, a taxicab, a garish and nondescript one. It rattles up the gravel driveway and rocks to a stop in front of the lamplit colonial pillars. The driver throws his meter and a little gray-haired man alights briskly, runs up the steps, even as guards, frowning severely, are hurrying out of the trees to discover what this strange thing can mean.

A secretary, somewhat supercilious, is summoned by the butler. The secretary frowns, too. He asks questions with raised eyebrows. Rather an odd affair this, a citizen arriving unannounced at 9.30 P. M. to see the President.

Why, if the Secretary may ask, didn't he arrange a daytime appointment in the Executive Offices? Sorry, smiles the little man, that was impossible, for his mission is secret. No one must know, even suspect, he has come.

To keep any one from knowing, he explains, he slipped secretly out of New York, not even informing his secretary of his destination, not even allowing his own chauffeur to drive him to the station. To keep any one from knowing, he left his Washington car unsummoned in its garage, hailing the first taxicab he saw.

But what, the secretary insists, is this so mysterious mission? Sorry, he can't explain, not even to the President's secretary. But the President is still at dinner! This . . . after all . . . well. . . . Sorry, but that can't be helped.

Eventually the President comes—and had the nation known what happened that night in April a tremor might have shaken the land.

The little man who knocked so mysteriously at the White House portals was William C. Durant, and that night, sitting in the President's study on the second floor, he warned President Herbert Hoover, inheritor of the storm, that the worst financial panic in the country's history impended.

Smiling, calm, slow-voiced, Durant, maker and loser of fabulous fortunes, warned the President of the United States that a crisis was inevitable unless the Federal Reserve Board was forced to cease its attempts to curtail brokerage loans and security credit.

Hoover, massive, methodical, unemotional, listened patiently. He asked pointed questions, was noncomittal himself. Durant, dynamic, sixty-eight and still on fire, spoke as one ruler to another. Hoover was a ruler of America. He was a ruler of Wall Street and of industry. He had ruled his own world in an arrogance with which Hoover could never hope to rule his. Dissimilar as the two men were there was much about them from the same die. Each had been a millionaire before thirty. Each was an organizer almost without compare, able to create and control vast combinations of money and men. Hoover had fed a continent. Durant had filled one with automobiles. Each was unyielding, realistic, accustomed to power.

The Federal Reserve Board, as every one knows, did not cease its attempts to restrict security credit. A few weeks later Durant sailed for Europe for an eight weeks' holiday. In May, a month later, through Wall Street in the springtime, blew the first blast of the blizzard that would rage in October and November. In a month's time stocks broke twenty to thirty points, a frightening, devastating collapse but insignificant compared with the catastrophe to come six months later, when $40,000,000,000 to $50,000,000,000 in stock values were to be swept away in a few days.

Durant had predicted it. He had known what he was talking about. He had been master of the market, the most fantastic bull market in history, for four years. In debt in 1920, a $90,000,000 fortune thrown to the winds, he helped begin the long bull market in 1923 and 1924, bolstering a new-found shoestring fortune under stocks still convalescent from the post-war crash that had left him flat, the only instance on record of a ruined man helping to instigate national prosperity. Then, as the so-called Coolidge market began in earnest, he ran up his flag. He helped introduce Wall Street to an era of cosmic speculation that was to throw that seasoned thoroughfare successively into bewilderment, hysteria, dementia præcox, and finally paralysis and complete mechanical collapse.

He rode the "greatest bull market" by means of a bull consortium so gigantic in aggregate wealth and power that there is nothing in Wall Street's 140 years of Arabian Nights to furnish even a contrast. He used not only his own new millions on the constructive side of the market but the millions of many associates, of at least twenty-five multimillionaires who had confidence in him and his judgment. He was the bull of bulls.

He handled in 1928 more than 11,000,000 shares of stock, representing an investment of more than $1,250,000,000. He handled stock investments almost as large in 1926 and 1927. In addition to the $1,250,000,000 put into the market under his personal direction in 1928, at least two or three billions more were invested individually on his advice by members of the clique, three or four billion dollars in all, marshalled under the command of one man. No man in Wall Street's history had ever wielded such power.

When convinced, sometime subsequent to his secret visit to the White House, that the Federal Reserve Board would not retreat from its position, he withdrew his support from the market. So did the other members of the syndicate. The decline in May was probably directly attributable to their first liquidation. The withdrawal of three to four billion dollars, effected gradually, was unquestionably one of the death blows from which the market was unable to recover. It reeled, steadied for a period, even assumed a false glow of health in August, but finally collapsed. How much that collapse should be attributed to the withdrawal of Durant and his associates it is impossible to say, for by 1929 the market had escaped even their massed control. It was in the hands of the public, including scores of minor millionaires and smaller groups.

Durant declines at the present time to reveal the names of his associates. It is generally taken for granted, however, that the consortium included Arthur W. Cutten of Chicago, and the seven Fisher brothers of Detroit. If so it included the two most powerful individual factors in the bull market next to Durant himself. The consortium undoubtedly included a number of leaders in the automobile industry and probably a number of other motor men whose names would loom less large. It was not a pool nor syndicate, strictly speaking, but a clique of friends working together, in Durant's words, "for one specific purpose, namely to protect the investing public from the gamblers of Wall Street, to give battle to the professional operators known as bears who for years, by practices none too ethical, had terrorized the owners of securities listed and traded on the New York Stock Exchange." Congenital bull that he is, a "bull on the U.S.A.," as he puts it, Durant has an assortment of choice phrases for bears including "wreckers of values and destroyers of confidence."

It would be foolish to say that the Durant consortium controlled the market. As Durant said in April, 1928, "No one man or group can or does control." But it is plain that the consortium played a dominant part in making the Coolidge market what it was and that Durant, himself, is responsible for much of the booming prosperity that became the talk of the world from 1925 to 1929. Acting as a sort of market commissioner of police, he watched for weak spots in the market and whenever he found one plugged it with millions of dollars. He placed other millions behind key stocks which, in rising, would drag the whole market upward in sympathy.

Nothing like that had ever been attempted before. There had been countless small pools and syndicates in the past, organized to protect a small list of stocks and push them upward, but there had never been an organized movement to protect and support the entire market. By marshalling such wealth and co-ordinate power on the bull side, Durant and his associates made it possible for the real causes of post-war prosperity to have unlimited effect. Those causes, according to Durant, were, "The enormous wealth accumulated since the war; the fact that the United States is now the money center of the world; the confidence in American institutions by almost every nation on earth, other nations being large buyers of our securities, giving us an international instead of a national market; and lastly, and in my opinion the most important, the purchase of our high grade securities in tremendous volume by investment companies and investment trusts, many of which are operating most successfully." But, as he adds, it would have been impossible to create confidence in American securities both abroad and among millions of small American investors without an organized effort to protect "meritorious securities of recognized value."

The prosperity consortium was organized for that purpose. It came into being back in 1924, according to Durant, owing to a "peculiar event." He declines to reveal what that event was. The consortium grew gradually taking shape as it grew. First one millionaire dropped in and left a million or so. Then another one came. Then, apparently, they arrived by squads. In the end, the consortium included, in addition to a group of multimillionaires, a number of less wealthy men and several banks and investment companies.

There was good reason for this flocking to the Durant banner. All were leaving their money in a safe place, and investing other money on safe advice. For Durant, starting the big parade all over again in 1920 with nothing to help him but nerve, reputation, friends and a cool, gray 59-year-old head, had amassed $20,000,000 in the stock market by 1925, according to rough newspaper estimates.

The millionaires knocking at his door had confidence. They turned over to him from one to ten million dollars each.

Time and again from 1926 to 1929 Durant, backed by this almost unbelievable power, wiped bear battalions out of existence. In the beginning of the long rise of prices there were concerted bear attacks almost every day, attacks of which the world had never an inkling, for prices swept up and over them like a relentless sea.

The operations of Durant and his associates were obviously manifold. Only a few examples can be cited. To list them all would require a book devoted to nothing else.

Durant became interested, for example, in International Nickel, a Canadian mining property of promise. In order to obtain full grasp of the situation before investing he summoned engineers and experts to his office at 250 W. 57th Street, New York, and spent weeks studying the company's position and assets, even the day-by-day condition of its mines. He made it a point always to investigate the financial situation of a company or corporation before launching a major movement in its stocks. There were innumerable conferences of engineers and experts in that office on W. 57th Street from 1925 to 1929.

When he started buying International Nickel it was selling at 87. As a result of his purchases the stock steadily advanced, and as it advanced a "short interest of considerable size developed." The bears, not understanding the situation, kept selling. Durant took all the stock offered. So much stock was sold short that in two days Durant bought 125,000 shares. The shorts eventually covered at 150, losing from $5,000,000 to $8,000,000.

Another example is American Smelters. Durant became interested because he "believed in the property and its management." The stock had not been active for years, which had given "people in the know a splendid opportunity to control the market fluctuations of the issue." Durant started buying the stock at around 119. His aggressive buying gradually advanced the price, to the great surprise of the opposition who felt it was a safe sale at around 130. In other words short selling at around 130 was a popular pastime. Despite this short selling the price advanced to 140.

One day, at about this period of the rise, a very good friend, a well-known millionaire, not a member of the clique, burst into Durant's office.

"Now look here, Billy," he roared, "what are you doing with Smelters? You know it's not worth 140."

"Possibly not," smiled Durant, "but take my advice and don't sell me any more of it, because it is going much higher."

And it did. It went to 390 on a split-share basis.

Another story should be told, one of several like it. On Durant's advice, an investment trust bought 10,000 shares of a certain stock and in the crash found itself in rough going. There was no obligation on his part, but Durant took the stock over at a personal loss of $385,000.

And now get ready for a slight shock, one of the most interesting phases of the whole story. This prepotent man did it all—grand marshalled the greatest market in history for four years, superintended the investment of three to four billion dollars during the frenzied twelve months of 1928 and finally generalled a successful retreat from Moscow—often without looking at a stock ticker for hours at a time. There isn't a stock ticker in his offices. When in the midst of a major operation he did, of course, have to watch the ticker tape. On those days, and there were many of them, naturally, he repaired to one of the private rooms provided for him by several brokers near his offices. He had only to step downstairs in the same building to see a ticker tape and a quotation board when he wished. But the point is that he didn't feel it necessary to install one at his right elbow. Day in and day out the stock ticker meant little to him.

In later chapters there will be stories of men who surround themselves with equipment and assistants, who maintain private quotation boards, who go to the extreme length of arranging for radio transmission of ticker prices while travelling by train. Durant does none of that. On ordinary days he gets any information he needs over the telephone from his brokers and lieutenants on the firing line, and what he gets he carries in his head. There are few telephones, a cluster of four or five at his elbow. One of them rings, W. W. Murphy, the efficient secretary who has shadowed him since the carriage days, catches it in an outer room, and brings in a brief memorandum. Durant may merely pencil a notation on the same slip, or may pick up one of the cradles. "What is it doing now?" The broker gives a few quotations. Durant gives a series of swift orders, always a series for the market is never static when he is in action. No battle map lies before him. No army of assistants march in and out. There are assistants, of course, but they are technical men, working far back behind the lines. The inner office is quiet. No echo of the hurly-burly of Wall Street reaches it. While other men are staring with agonized fixity at the ticker tape and the quotation board he is often serenely developing his dynamic plans, unmindful, one might say contemptuous, of obstacles and untoward events.

He is able to operate in such a fashion because he depends on other men. He has picked his brokers and lieutenants in Wall Street with the same vision he used in picking men to help him run the motor empire he founded and lost. When he has picked a man, he depends on him to run his end of the game. But there is another reason for his methods. As Theodore F. MacManus, who knew him in the pyrotechnic days when he first bestrode the world, has aptly said in *Men, Money and Motors,* there is a "Gallic vainglory in this man which did (does) not permit him to do things in an ordinary way." MacManus was writing of another time, but the years have brought no change. Now, as then, he stills delights in bewildering lesser men with the way his quick brain steers its way "through a maze of conflicting projects and appalling detail."

His secret visit to the White House was typical of him. Other men would have gone openly to Washington, had their say, and, when newspaper men flocked around, explained they were merely there to pay respect to the new President. But Durant doesn't do things as other men would do them. He must slip secretly out of a city of 7,000,000 persons and go by night. The world for him is literally what Shakespeare said it was figuratively, a stage, and life is a play. He has fun no end, though like Saint Peter in questioning the poor mortal who neither smoked, drank nor sought the bright lights, some might wonder how. For neither does Durant smoke nor drink and often in the old days he worked eighteen hours a day. But he enjoys himself, sincerely and dramaturgically, just the same. An example of his gusto: in 1928, renewing his passport for a trip to Europe, he had to take the customary oath of allegiance to the United States, for most men a routine necessity, for Durant a rising of a curtain. He started thinking "of our country's greatest domestic enemy, the bootlegger." A few weeks later he announced his $25,000 prize for the best plan for enforcement of the Eighteenth Amendment. Thousands of plans poured in, from Federal judges, district attorneys, ex-cabinet dignitaries, United States Senators and Representatives, from housewives and clerks, even from one Cuban who suggested the best way to secure prohibition would be to kill off all Americans. Finally the winner was announced, a former state prohibition administrator, and that apparently was the end of it. But no! In January, 1929, Durant issued a public statement calling upon Congress to investigate and discover why prohibition was not being enforced, offering to turn over "the rich material in the files of the prize contest," suggesting that a fund be appropriated "sufficient to defray the expenses of many hundreds of men and women who, as evidenced by our files, would be able to give such testimony as would awaken the sleeping conscience of thousands of otherwise law-abiding citizens." Presumably, playwrights enjoy fabricating drama and actors enjoy acting it, but it is more exciting to live it.

In perspective, there is probably only one meeting of a financier and a President in history to compare with Durant's dramatic visit to the White House. That was the meeting February, 8, 1895, when J. Pierpont Morgan, the elder, the founder, the corsair who was to become a czar, bearded blunt Grover Cleveland in the same White House study and huckstered to him and the nation $65,000,000 of Rothschild gold. Morgan also went to warn that a panic impended, a terrible one, for the United States Treasury's supply of gold had dwindled millions below the margin of safety. There was only $9,000,000 in gold in the New York Sub-Treasury that day, with one check alone outstanding for $12,000,000. Morgan prevailed. Durant did not. In 1929, with more gold than all the other governments in the world combined, with a Gibraltar-like Federal Reserve Banking system, the federal government could face with fortitude any panic that might come, financial or otherwise.

Fortitude, however, isn't the word that Durant would use. The panic of October, 1929, says he, is directly blamable on President Hoover and the Federal Reserve Board.

"We may as well tell the truth," he asserted in December, 1929, "and put the blame where it belongs. It's up to Washington now. We have stepped aside. The market is leaderless. Eventually we will take control again, but not until something is done to limit the Federal Reserve Board to the functions stated in the law that created it. Those functions are to stabilize money rates and prevent panic. It did neither. Call money jumped to twenty per cent. The country experienced the worst crash in history."

That may sound like a case of sour grapes, which, of course, to some extent it is, for Durant and his associates naturally lost millions of dollars in getting out of the market, but this can be stated definitely, that the loss was insignificant compared with the enormous profits made during four years of investment in a steadily rising market. Just when Durant began liquidation is uncertain except that he and his clique removed their support from the market sometime during the middle of 1929 and left the field open to the bears. Presumably Durant had cleared his decks as much as possible by the end of May though he may have indulged in a few minor bull sorties after that. How much his personal fortune was involved in his gigantic operations is unknown.

There was a rumor in Wall Street in June, 1929, probably as a result of his general liquidation, that he had been sold out by several brokers at a personal loss of more than $20,000,000 when he failed to post demanded additional margin. He smiles and says that report is ridiculous. Of course, on the basis of what is now known about his operations, the rumor is ridiculous on the face of it. But back in June, 1929, Wall Street didn't know as much as it pretended to. One of the interesting phases of the whole thing is the secrecy with which Durant managed to operate. It is unbelievable that a man could play such a part in the market for years without the fact leaking out, but it happened. A number of newspaper files have been investigated in the preparation of this book. There was much mention in the newspapers of the "Big Ten," a loosely defined group, and Durant was often referred to as the biggest bull in the market. Along in 1928 there began to be a few vague suspicions.

In May, 1928, the *Brooklyn Eagle* printed an article on Arthur W. Cutten in which the following vague paragraph appeared: "A short time ago there was held in a New York hotel a dinner of kindred spirits. The ostensible object was to bid farewell to a big market operator on the eve of his departure to Europe. At the dinner were two of the mighty Fisher family and Arthur W. Cutten. The latter sat near the head of the table. It was a dinner at which it is assumed there was a community of interest. Each of the guests was a big market winner. All were bulls. There were no bears present." In September, 1928, the New York Times carried an article which informed that: "Mr. Cutten may be said to be the leader of the largest and most influential group operating in the market today. In Mr. Cutten's group are William C. Durant, who is playing the market by radio telephone from Europe; the seven Fisher brothers of Detroit. . . . Mike J. Meehan, of the stock exchange firm of that name, as well as several independent operators, including George Breen and Joseph Higgins. It is known that the stocks handled by this group on a single day have aggregated more than 1,000,000 shares in many recent markets."

That is about all. Nowhere was Durant named as the leader of the most powerful operating syndicate Wall

Street had ever known, and yet the newspaper men writing the day by day story of the "greatest bull market in history" had sharp ears and were striving desperately all through that frenzied period to pick up every scrap of information. The assumption is that Wall Street as a whole didn't know. If it had known the newspaper men would have heard. The consortium remained a locked secret until Durant chose to reveal its meaning and purpose for these present post mortem pages.

Durant does not consider himself as a speculator or a manipulator. The long bull market was the greatest aid to American business and industry, he feels, in the country's history. It caused stockholders in the nation to increase, he estimates, from 3,000,000 to 15,000,000 in four years. It allowed hundreds of corporations, great and small, to increase stock issues and gain needed capital for expansion.

It allowed the United States Steel Corporation, for example, to wipe out its bonded indebtedness by exchanging bonds for common stocks. It allowed scores of other corporations to do the same thing, he asserts.

"As the destructive forces were held in check," he contends, "and as bear drives became less effective, it gave to the investors, large and small alike, a sense of security, with the result that we enjoyed business and financial prosperity such as this country had never known."

When the crash came it found many corporations still in the process of increasing stock issues and thus increasing working capital. Numerous examples might be cited, but since the United States Steel Corporation has been mentioned the Bethlehem Steel Corporation comes to mind. The Bethlehem Corporation issued 800,000 shares of new stock, which were underwritten by the National City Bank, the Guaranty Trust Company, and others, at $110 a share. The stock was then selling at $120 to $125. The crash drove the stock down $30 under the price at which it had been underwritten. That is a small example. There were many similar situations on a much larger scale.

Discussing the whole thing, Durant says:

"Evidently the bankers and business men of the nation had faith in stock thus issued. Their faith, it seems to me, was ill-founded, for the Federal Reserve Board precipitated a crash that caused $40,000,000,000 to $50,000,000,000 of loss in security values. It is ridiculous to believe that any one expected all that newly issued stock to be sold for cash. It was to be sold on credit, and the Federal Reserve Board restricted security credit and caused the panic."

There is little difference, according to Durant, between security credit and commodity credit. One is as necessary for the prosperity of business as the other. If the Federal Reserve Board is to limit collateral credit, he contends, it might just as well limit commodity credit and force industry to operate on a cash basis.

American industry, he says, is absolutely dependent on stockholders. If investors feel that their stock purchases are insecure, industry is seriously hampered. And few persons realize, he believes, how much of the stock of American corporations is held on credit. He estimates that seventy-five per cent of the corporation stock sold in America is sold on credit.

A very large proportion of so-called brokers' loans, according to Durant, are dealers' loans. That is, they are made by banks not to finance purchase of stocks on margin by individuals but to finance security dealers who have bought corporation securities for later distribution. These loans are similar, he asserts, to other forms of credit to wholesalers.

He contends also that at the peak of the Coolidge market two-thirds of the "brokers' loans," which the board moved to curtail, were not made with bank funds at all but were made through banks by corporations and individuals eager to place surplus money on call at 15 and 20 per cent interest.

"This was a case," he argues, "of business men lending to business men. What did the Federal Reserve Board have to do with it? The actual bank funds used for brokers' loans was never, even at the peak, more than $3,000,000,000. Compared with the $60,000,000,000 of bank loans and investments, that total was rather insignificant. But it was used by the board as justification for starting a panic.

"This country is worth some $400,000,000,000. Title to most of this wealth is in corporate securities. Is it excessive to have one-twentieth of bank loans and investments devoted to the distribution and redistribution of securities on the New York Stock Exchange?

"The prosperity of the nation is based on credit. Checks issued in the United States total $700,000,000,000 annually. Practically all of that represents an employment of credit. In curtailing the growing use of credit in security distribution, the Federal Reserve Board is simply trying to throttle an essential part of the engine that runs the nation."

All of which is just about what he said in a different way on April 14, 1929, shortly after his secret visit to the White House, in a public attack on the Federal Reserve Board made over a nation-wide radio hook-up.

Dramatic as usual, though America did not realize what the drama meant, he revealed that he had questioned 500 leading business men and industrialists, asking each if he favored the Board's policy. He received 463 replies, he declared, and only twelve were in favor.

Then he sailed for Europe and in Paris was invited to address the American Club. He seized the opportunity for another attack. That address, June 1, can possibly be taken as proof that he had already completed most of his liquidation, for a leader of the bull market would hardly have issued such a pessimistic proclamation without first protecting himself.

In Paris he said: "The Federal Reserve Board is composed of eight men. To this group of men has been granted, amazing as it may seem, more power than is possessed by the President of the United States. Its power is beyond any constituted authority of the United States.

"About a year ago this group of men took into their heads that brokers' loans were too high, and for reasons which no business men seem to understand they have announced from time to time in spectacular fashion that every conceivable means within their power would be exerted to reduce these loans.

"True to their announcement, regardless of consequences, and in an endeavor to make good, credit accommodations have been curtailed, our choicest securities have been discriminated against and interest rates have been advanced to the highest point ever known in prosperous times, and at a time when Federal Bank reserves are nearly double the minimum required. As a result, hundreds of thousands of people, who have contributed to the prosperity of America, have lost hundreds of millions of dollars.

"At the moment the market is governed by 'What is the Federal Reserve Board going to do today?' Until this situation changes and the Federal Reserve Board ceases to interfere, the market will be entirely in the hands of the gamblers and the bargain hunters. By gamblers I mean people who sell what they do not own, hoping that something unfavorable, real or imaginary, will create a condition that will enable them to replace or buy these stocks back at a lower price.

"I believe I am safe in saying that at the next regular session of Congress, the public demand will be so great that a reasonable bill will be presented, defining the functions of the Federal Reserve Board, that will not be tabled but will come to us in such plain, unmistakable language that never again will such a crime as we are familiar with, and which culminated on March 27, 1929, be committed."

A fabulous man, this Durant; as fabulous as the fortunes he handles. He sits in an office hermetically sealed. Woe to any one who would open a window or who would smoke. Once a cigar salesman, he abhors tobacco. "Please Do Not Smoke," read neat little placards throughout his offices. Visiting corporation presidents never do.

He has his luncheon sent from his home, 905 Fifth Avenue, in a motor basket. When he needs to be shaved he sends for his barber and a folding barber chair is produced from a closet.

In the old days, when life was more pressing and he worked eighteen hours a day, he marshalled his assistants around his folding barber chair and gave orders between snips of the shears. From that folding chair he has closed deals involving millions. It is still the best place to catch him on a busy day.

Unhappy the man who came to discuss business in the old days who couldn't discuss it with a dozen others, some of them trying to close the same deal, sitting in the room. The pressure under which Durant worked in those days made it impossible to get through his many interviews in any other fashion. Dozens of corporation presidents and executives arrived every hour. He had to turn out interviews and conferences by mass production as he turned out automobiles. But if his visitors were discomfited by the necessary regimentation, he made up for it by unfailing courtesy. His courtesy is an outstanding characteristic. The interviews necessary in the preparation of these pages are an example. The interviews were requested. He had to take hours from his regular business to grant them. But in every case, it was he who asked the interviewer to spend valuable time, not the interviewer who had asked him to do that.

"When can you be back from luncheon?"

"Any time that is convenient for you, Mr. Durant."

"You set the time. I don't want to inconvenience you."

Despite the pressure he has always worked under, he is able to relax. In the old days, at the end of a turbulent siege of work, he depended on his checker board. At the end of the day if a good friend came along, even a very ordinary one, out would come the checker board and there would be a quiet game.

Another peculiar thing about him is that when he gets to thinking about some question or problem he lives in a world of his own. It is literally impossible to ask him questions at such a time. After the same question has been asked several times, he may look up with a bewildered expression and say, "What was that question?" It isn't lack of interest or attention, but pure concentration.

It is difficult to get beyond that mask of concentration. As one General Motors executive who knows him well puts it, "Men don't do business with him. He does it with them."

His concentration is apt to lead him into any kind of an adventure on a moment's notice. One day when notes were being gathered for these pages, the question suddenly occurred to him of how high into the sky $50,000,000,000 would reach. That much money had been lost in the crash of 1929. How would it look stacked up? Immediately he was off in a maze of figures. Everything else would have to wait even the question of whether or not to buy a new corporation which one of his executives had broached half an hour earlier. Finally, the little man with the fuzz of gray hair looked up with a satisfied expression on his face. Fifty billion silver dollars would reach 100,000 miles high.

He was as pleased for the time at having solved that problem as at having helped build up the market which had created the money.

Things are more quiet now. It is easier to manage a billion dollars than a billion-dollar corporation. But not so quiet, at that. During the height of the boom market he did business through at least twenty brokers. Sick in bed from a train accident or travelling in Europe, he did business just the same.

His transatlantic telephone calls from Europe cost him as much as $25,000 a week. Sometimes he called Wall Street a dozen times a day and thought nothing of talking an hour at a time.

In his desk, among the piled chart cards showing stock operations, is a worn leather bank book, dated 1871—his first bank account—with the New Bedford Institute of Savings. He pulls it out, still salting great things with small. He deposited $500 in that bank fifty-nine years ago, and it is still intact. Only interest has swelled it to $7,000 now.

He smiles his friendly, magnetic smile, that makes him look like 50 instead of 68. Yes, money seems to grow in his hands.

But what about that Wall Street rumor that he was called on to post some $5,000,000 margin in May and, failing to do it, was sold out at a loss of upwards of $20,000,000?

He continues to smile. The rumor is foolish. Some people, he says, like to spread harsh tales when it is just as easy to spread friendly ones.

"Am I broke? Well, I'll tell you," he smiles. "I'm the richest man in America," he pauses, impishly pleased, and adds, "in friends."

But that's more than a joke. It's true. His costly trait of playing square, and his resulting ability to draw men to him, explains that otherwise mysterious quinquennial cycle of fortune that has ruled his life since first he began striding across the world, a Dumas figure of finance.

Rich in 1905 he was poor in 1910. He was rich in 1915 and penniless in 1920. He had an estimated $20,000,000 profit in Wall Street in 1925 and in October, 1929, with 1930 just two months away came the greatest financial crisis in history. But Durant had at last ousted fate. He had extended his five fat years to ten. He hadn't gotten back the General Motors Corp., which he founded and which he lost in 1920, but he sat as captain of a billion dollars of investment capital, the greatest floating supply ever assembled by one man since the world began.

Durant founded General Motors in 1908 right after the panic of 1907. Other men were still shaking with fear stepping cautiously. Durant was looking not at the past but the future. He capitalized his new colossus at $10,000,000. Bankers gasped at the magnitude of his plans. Other men laughed.

It wasn't the first time men had laughed at him. They had laughed at him every time he had tried to tell them to what the automobile industry was going to develop in America. He had predicted solemnly in 1907 that by 1917 America would require 1,000,000 automobiles a year. No one had even troubled to take him seriously. But here he was putting his wild dreams into cold cash. Ten million dollars! It was too much, said the world. Even the most auspicious conditions the most congenital optimist and fool could imagine would never produce enough sales to justify $10,000,000 capitalization.

A year later the pessimists were rubbing their eyes. That year the gross sales of "Durant's Folly" totalled more than $34,000,000 and net profits exceeded $10,500,000. In other words the first year's profits exceeded capitalization. The next year, sales leaped to $50,000,000 and net profits to $11,500,000 with another $1,000,000 put away in a special contingency fund.

The corporation made money so fast, and credit was so good, that it never became necessary to complete the working capital by sale of stocks, despite the breathtaking expansion Durant indulged in during those bewildering first years. He had controlled the Buick company since 1903, the first unit of his colossus. He had added the Oakland, Cadillac and Oldsmobile companies at once. Subsequently he added corporation after corporation—lamp companies, body plants, accessory factories, casting foundries, and automobiles of every conceivable kind, Cartercar, Reliance, Elmore, Marquette, Rapid, Randolph. The names, forgotten long ago, mean little now. They could have meant anything in those days. He bought the Cartercar because it had a friction drive, the Elmore because it had a two-cycle engine. In all, he bought control of more than twenty companies from 1908 to 1910. He knew the automobile industry was going somewhere but he didn't know just where. He wanted every sector of his battlefront protected. His associates and the world watched with awed bewilderment.

From 1908 to 1910 banks gave him virtually unlimited credit. Then, suddenly, came panicky days again. Suddenly Durant found the credit he needed unobtainable. Bankers with whom he had carried million dollar balances became fishy-eyed with cold shoulders. They declined to continue to co-operate. They weren't sure, they explained, that the automobile industry was sound. The automobile might prove as fugitive as the bicycle.

Durant has no reason to love bankers. And down in his heart, though he has grown philosophical with the years, he probably doesn't any more than Henry Ford does. It is the old conflict between hoarders and builders with the hoarders usually coming out on top. Ford managed to keep the money lenders from edging in underneath him even in the dangerous days of 1920. Durant was less fortunate. Bankers ousted him from control of his corporation in 1910 and they were to do it again ten years later. But more than that they had hampered his development from the start. He was offered in 1909 a chance to buy out Henry Ford, himself, for $8,000,000.

The story of that interesting offer has never been told correctly. It was not Henry Ford who made the offer but James Couzens, Ford's minority partner and later United States Senator from Michigan. Nor did Durant go to Ford and Couzens and make an offer to buy. Couzens came to him. Ford and Couzens had come to New York and were stopping at the Belmont hotel, right across from Durant's office then on Park Avenue.

One day one of Durant's executives came into the inner office and reported, "Mr. Couzens is outside. He wants to offer you the Ford Motor Company."

Durant went into the outer room.

"You know what I am here for," said Couzens.

Durant said "yes," and that he was interested. What was the price? Couzens said it would be $8,000,000. Some one, possibly Durant, asked where Ford was. Couzens said he was lying on the floor over at the hotel suffering from some gastric disturbance. Unable to get relief in bed he had thrown pillows on the floor.

Durant asked what went with the $8,000,000. Everything, Couzens explained, machinery, plant and goodwill. Only the right to use Henry Ford's name on agricultural machinery (tractors) was reserved. Couzens explained further that he and Ford had reached an agreement by which he, Couzens, would get $2,000,000 of the proceeds. Henry Ford, in other words, was willing to sell out in 1909 for $6,000,000.

Couzens went back to talk to him. There were several conferences. At first Ford demanded all cash. Later he offered to take $2,000,000 down. Durant went to bankers and tried to get the $2,000,000. The bankers decided the Ford business wasn't worth that much money. There is another instance of lack of prescience on the part of bankers involving the House of Morgan. Back in 1908, before organizing the General Motors Corporation, Durant proposed a merger with Benjamin Briscoe who was rapidly expanding his Briscoe-Maxwell properties. Together Durant and Briscoe went to J. P. Morgan & Co. A charter was drawn for the International Motors Company which would be the General Motors of today had the plans gone through. The House of Morgan agreed to underwrite $500,000 of the $1,500,000 capital. But because they didn't understand Durant, and don't to this day, and because they had more faith in Briscoe, who was to fail in 1912 with more than 150 companies under his control, the bankers declined in the end to go through. Twelve years later, in 1920, the same House of Morgan was to pay some $80,000,000 for control of the corporation which Durant founded without their help, and twenty-one years later, in

1921, was to be the gathering place for a mass meeting of bankers, flustered and frightened by collapse of an unprecedented stock market which Durant, left in ruin in 1920, had marshalled to their astonishment for four years.

But to get back to the chronological story: his credit curtailed in 1910 Durant had to step out. Typically, he had been carrying the brunt of the expansion largely on his own name. He has signed personal notes for $8,000,000 to secure working capital and had personally guaranteed $4,000,000 more. In all, $15,000,000 was needed to carry on. A banking group stepped in, provided the $15,000,000 and took an absolute voting trust of the common stock to last until September 18, 1915. What Durant did was again typical. He quietly stepped down and out and incorporated a new company—the Chevrolet—for $100,000.

That company, organized on a shoestring, made $1,300,000 net profit in the two years ending August, 1915, not enough money to buy back General Motors but enough to allow the amazing Durant to carry out one of his most amazing operations.

With his little Chevrolet company Durant got financial backing then boldly offered General Motors stockholders to exchange five shares of Chevrolet for one share of General Motors. Other stock he purchased in the open market until it rose from $24 to $558. When the board meeting arrived in October, 1915, he had enough stock to stalemate the banking group, the balance of power—a paltry 3,000 shares—being held by John J. Raskob and Pierre S. du Pont. Eight months later Durant had gotten enough additional stock to gain full control which he held until his devastating downfall in 1920.

In 1920, in the deflation that made millions for Jesse L. Livermore, Durant threw $90,000,000—his entire personal fortune—into the financial whirlpool trying to save, not himself, but his friends. Those friends had invested in General Motors on his recommendation, putting up the money that had helped him regain control. Most of them had borrowed money to do it and thus, in effect, held their stock on margin.

There were two groups now that had invested money in his corporation because of faith in him—the original backers who had helped him found the colossus in 1908 and who had helped him regain control in 1915, new backers who also aided him in regaining control, and others who had invested heavily subsequently. The latter were John J. Raskob, Pierre S. du Pont and the E. I. du Pont de Nemours Powder Company. That company by 1920 had invested $50,000,000 of wartime profits in General Motors.

Those black days of 1920 were trying for all corporations. They were especially dangerous for General Motors owing to an enormous program of expansion voted by the board of directors against Durant's advice. What happened couldn't possibly be told better than W. A. P. John told it in an article, authorized and approved by Durant, which appeared in the magazine, *Motor*. That article may be considered as Durant's official explanation.

John's dramatic version follows:

"Although I am in possession of the facts, I am not permitted (either by my judgment or that of the editor) to reveal who was responsible for the fatal expansion program. All that I can do here is to establish the fact that W. C. Durant WAS NOT RESPONSIBLE, either directly or indirectly. For one solid hour I read document after document, bearing the signatures of over twenty men, stating that Mr. Durant had not only *not inaugurated the program* but had emphatically cautioned against it in meeting after meeting. And not all those men are 'Durant' men either!

"At this point I overcame my amazement to ask the quiet, smiling Titan why, as chairman of the executive committee, he had permitted the program to be carried out against his repeated warnings. And his answer was characteristic: He owed them much for their aid; they had a reputation for being conservative business men and they were supremely confident. That they were supremely confident I know. I saw a most comprehensive chart prepared not by Mr. Durant, but by his associates covering a period of eight future years, and setting forth the results of the plan, year by year. And the last year, according to the estimate, would see the company using over $1,000,000,000 liquid capital, earning 142 per cent on its outstanding common stock, which would have a market value of $1,000 a share! Oh, the figures were impressive. So impressive that Mr. Durant smiled and I

> giggled. Well, anyhow, the $300,000,000 were spent, the $106,000,000 cash surplus being replaced by $200,000,000 of obligations.
>
> "Then came the post-war reaction—swift and deadly. An economic depression seized the country. Money became tight. Security prices collapsed over night. Factories shut down. Unemployment spread, bringing with it much genuine, though perhaps temporary, poverty. Bankruptcies increased at a sickening pace. People stopped buying all but the necessities of life. They stopped buying motor cars."

The General Motors Corporation, owing to the expansion program which Durant had opposed, found itself seriously in need of money. It became necessary to offer $64,000,000 of common stock for underwriting. The stock was then selling in the market at $38.50. An English-Canadian banking group took $36,000,000 of the issue at $20 a share. That left $28,000,000 still to be disposed of.

But now an even more serious situation developed. Several large stockholders were dissatisfied with the expansion and the new scheme of things. They threatened to sell. The price of General Motors was already down to bottom in the market like all other stocks. If large selling were allowed the bottom would drop out.

To continue in John's authorized version:

> "Knowing the value of General Motors stock—spurred by his sublime faith in the corporation he had conceived and created—remembering that $28,000,000 of the $64,000,000 issue had yet to be sold—bearing in mind that 90 per cent of the English money would not become due

until December 1st—and holding uppermost in his thoughts the trust that had been placed in him by thousands of stockholders who had invested in General Motors because of their faith in him, Durant's conception of his responsibility made him feel that it was his duty to prevent the slaughter of General Motors stock. For the manipulators were kicking it about relentlessly inasmuch as the market was favorable for such buccaneering operations.

"So whenever large blocks of General Motors were offered for sale he, knowing their value and the earning power of the company, purchased them privately. In one instance he and his associates arranged the purchase of 150,000 shares from a western group for a consideration of $4,500,000 secured by abundant collateral supplied by the Chevrolet division of the General Motors Corporation. But the notes were acceptable only after Mr. Durant personally had endorsed them.

"Still the price dropped—to 32. Feeling that the market had to be supported for the reasons previously enumerated, he organized a buying syndicate with his associates to purchase the stock as offered on the market and to thus protect its price. To the members of that syndicate he gave a personal guarantee against loss. The stock dropped to 30. Another syndicate was formed to purchase down as low as 28.

"About this time the balance of the $64,000,000 common stock issue ($28,000,000 that the English syndicate had not absorbed) was underwritten by certain Wall Street representatives. And although they were assuming only very slight obligations, due to the fact that the company's stockholders had the right to purchase the stock at the $20 figures (when the market was $28) and would snap up almost the entire amount, the Wall Street crew demanded a staggering bonus. That bonus was the right to purchase 200,000 shares at $10 a share when the market was $28! The stock was to be taken from the treasury of the Chevrolet Motor Company, the underwriters fearing criticism if it were to be taken from General Motors. Durant objected, strenuously and bitterly, by letter and in person. Faced by the refusal of the Wall Street representatives to underwrite the issue unless their demands were complied with, he finally gave in, exacting a promise that the stock was later to be returned to Chevrolet by General Motors.

"And that compromise caused his destruction!

"Remember the last syndicate, according to its articles of agreement, was purchasing General Motors down to 28. Remember that W. C. Durant was pouring out his fortune in a sublime and unselfish endeavor to maintain the price against conditions that were being artificially created. Remember that he *believed* in General Motors; that his friends believed in him; and that he was keenly conscious of their faith in him.

"One day—it was July 27, 1920—100,000 shares of General Motors stock were suddenly dumped into the market. The market was demoralized. General Motors stock broke to 20½. Durant—caring not one whit for money, and caring everything for the thousands who believed in him—bought that stock. More came into the market, at a lower price. He bought that, too. Then more and more and more—always at decreasing prices, which made all his previously acquired holdings worth just so much less. Alone, unsupported, single-handed, and smiling—he fought the battle, purchasing the stock down to $12 a share, endeavoring to save General Motors for those who had made it possible more than ten years previous.

"Finally the odds became too great even for Durant's great courage and greater faith. His friends had been extricated without loss. But his entire personal fortune had been sacrificed. In a few short months he had turned himself from a man worth $90,000,000 to one owing $2,000,000.

"And after making this great sacrifice, after standing in the breach that a receivership might be avoided, protecting with his fortune the interests of every stockholder of General Motors—what then? He was forced to sell his holdings at a price that would not pay his debts. And this having been done, he was asked to resign."

The Morgans stepped in, and with the Du Ponts took charge. Panic had again handed control of General Motors to bankers who always have money when other men don't. They paid Durant some $40,000,000 for his share of a company which ten years later was to be valued at a billion dollars.

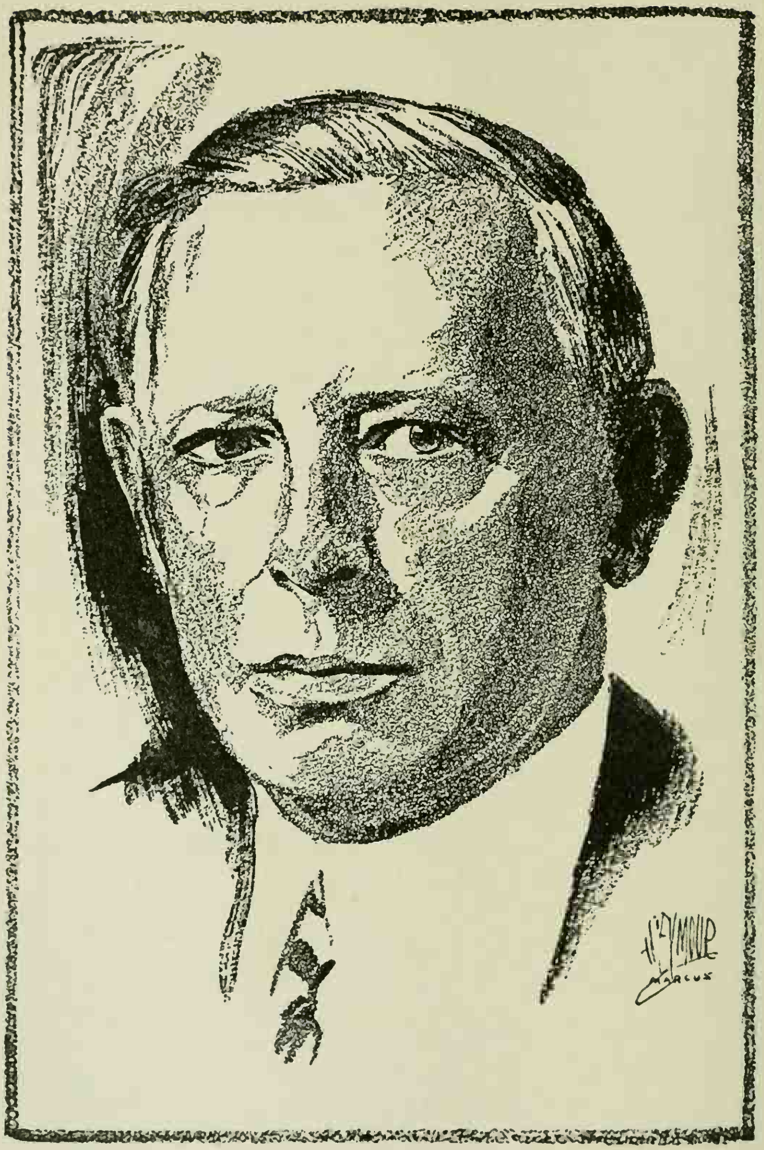
He resigned as president December 1, 1920, in debt. On January 12, 1921—a month later—he had incorporated Durant Motors, without plant, materials or car. Just forty-seven days later the first Durant car had been designed and built and William C. Durant was on the up grade again.

His Durant Motors didn't prosper as expected. Many stockholders lost money. Durant formally recognized this February 10, 1929, when, simultaneously with retiring from active management, he announced he had found that "misrepresentation of every kind" had been used by agents in selling the stock and that he intended if permitted and he had the good fortune, to reimburse every original stockholder who still holds the stock with the price paid and interest.

A large promise, for when the Durant companies were in full swing back in 1923 there were 146,000 stockholders. The magic of one man's name had drawn them, more stockholders than any other corporation in America except one could boast, the one exception being the American Telephone and Telegraph Company. Durant didn't say how he hoped to do it. He never says how he'll do anything. He does it, and leaves the world bewildered.

Yes, an amazing, fabulous man. Hyperbole fails. Grandson of H. H. Crapo, Michigan's Civil War governor, he has been grocery clerk, common laborer, pharmacy helper, street corner medicine man, insurance salesman, cigar store manager. Before he was a great automobile manufacturer he was a great carriage and wagon maker. He has done so many large things since that one is apt to forget that the Durant-Dort Carriage Company, which he founded in 1886 with $2,000 capital, was the largest company of its kind in the world at the turn of the century, with fourteen plants in the United States and Canada, with a production of 150,000 vehicles a year.

And here is a clue to his character. In his desk, in the office he opened dramatically right across the street from the General Motors Corporation he founded and lost, in a top drawer where he can look at it whenever he wishes, is the bank book containing the first bank account that he and his friend, J. Dallas Dort, hardware clerk, opened jointly forty-three years ago. It rests right next to that other bank book containing his first personal bank account, the untouched $500 that has grown to $7,000. As you see him fondle those two yellowing books, the pathos of distance in his eyes, you realize inescapably that it isn't money nor even power that this man has striven for all his years, but achievement, a rôle in the play of life that might turn that comedy and farce into the kind of drama it would be had a surer playwright written it.


Marcus

II

JESSE L. LIVERMORE

The Bogey Man of the Bulls

ONE black day followed another, days such as Wall Street had never known.

Men sat huddled in a thousand brokerage houses staring aghast at illuminated numbers and letters dancing on the wall, cryptic modern symbols of disaster and despair and of a nation gone mad.

In the damp October air, unnaturally chill as if risen straight from Trinity graveyard, there was an unbarometric heaviness that pressed against the mind and its sensory ends and against that vague other sense which comes into consciousness only in dire times—a heaviness electrified by the discharge of mob emotion, a sort of condensation of the tense, premonitory gloom that rested over the broad, prosperous miles of a continent.

And in this charged, ominous atmosphere men began to mutter a name, haggard minor millionaires and sleepless-eyed brokers and bankrupt bank clerks and racing messenger boys. It was the name of a man almost forgotten during the long years of pandorian prosperity. The man was Jesse L. Livermore, legendary bogey man of the grown up children who play finance.

Up in his hidden retreat in Fifth Avenue, overlooking Central Park, Livermore was raiding the greatest bull market in history went the rumor among the terrified. Backed by a powerful pool of bears, hopeless men told each other, he was beating prices down and down and there would be no end until the mansions of industry had tumbled like houses of cards.

It was easy for men to blame Livermore when hard times came knocking at Wall Street's door. Blaming him had been a habit since 1907, when he walked out of the wreckage of panic with $3,000,000.

They had blamed him for the long black months of 1920 and 1921 when the wartime boom collapsed and he emerged with more millions.

He was a man made to be target for the finger of alarm, an Alger-like hero of speculation, a man smacking of another day when men stood taller than banks, the one traditionally romantic figure left in a Wall Street that had become as standardized as the big business it traded in.

Now he was back again when men had half believed or hoped him gone for good, more mysterious, and therefore more fearsome, than ever. He had had the stock tickers ripped out of his hidden offices in 1924, and the story had moved about that he had gone short on the Coolidge market and had been left flat again, reduced to his irrevocable trust, a mere million dollars or so.

That was rather a mysterious business in 1924, with

Livermore reorganizing his office force, dismissing some of his most trusted assistants and admitting publicly that his private wires had been tapped for confidential information.

But, mysterious as it was, it was less mysterious and troublesome than having Livermore sitting in his office surrounded by telephones and experts during the worst crash Wall Street had ever known.

The millions of little men, the new speculators, who had made the market through 1928 and 1929 and who hadn't known what a stock ticker looked like in 1924, blinked their eyes in amazement at the stories filtering through the heavy gloom about Jesse Livermore, the alleged bear of bears. To the old traders in the Street it was all more or less a repetition of history, though even they were a bit surprised at the gusto with which he, the putatively vanquished, had returned to the fray. To the new men in the Street it was all very fantastically awful, and not all of the new ones were little men, for a crop of postwar millionaires had sprouted during the incredible decade from 1918 to 1929. They were amazed, too.

There was no lettering on his frosted doors eighteen floors above Fifth Avenue, they learned, and the doors were guarded by a bulging Irishman who allowed few to pass.

Elevator attendants claimed, they learned, that no such offices existed in the building. Beyond those unmarked doors, however, bustled a force of more than twenty men, a staff large enough to run an imposing public brokerage house.

The telephone company claimed there was no telephone in the place, but that was only the telephone company's peculiar sense of humor. Not only were there several unlisted telephones for general office use, but in an inner room there was a long directors' table literally covered with cradle stands, at least thirty of them, each presumably a direct connection with some broker's office.

In another room there was a standard-sized quotation board at which two youths labored daily, posting ticker prices solely for Livermore's sharp eyes. There were banks of files and batteries of typewriters. There was even a private telegraph operator presiding over a system of private wires.

Most imposing of all, there was a squad of expert statisticians, veterans of panic and boom, who waded daily through mountains of data and libraries of books to keep the man who employed them posted on what was happening out in the world.

It would have been strange had such a man not been blamed for anything unexpected that happened in Wall Street. And it can be stated now, with some authenticity, that the pointers in alarm were partly correct, but only partly. Livermore was a bear during the crash.

He wasn't a bear when the Dow Jones ticker quoted him as saying he wasn't at the beginning of the crash. He was still on the supporting and losing side then. He went short right after that. He sold thousands of shares short in virtually every division of the stock list, and he reaped a new fortune.

But he operated solely for himself. He did not head any bear pool. He and his close friends deny that emphatically. Neither did he beat prices down, or try to, they aver. He was not a bear in the true sense, they say, and has never been.

He merely, as on former occasions, took advantage of conditions and sold short, as scores of other speculators did.

At least a hundred other speculators sold short as much or more than he did, according to his associates.

The exact date that Livermore began dumping his holdings and selling short is uncertain, except that it was sometime during the long sliding decline that began September 5, 1929, with a pessimistic prediction by Roger Babson, the statistician, and ended in an avalanche Thursday, October 24, 1929.

Long before the leading bankers of the country had paraded to the House of Morgan that strident Thursday to form a consortium to support certain key stocks and avert complete financial chaos, he, the wily and wise, had read the omens and shifted with the lightning. Indeed, it was even before that Thursday that the finger of alarm was first pointed in his direction.

As early as October 18, rumors filled Wall Street that he was heading a powerful bear pool. Every break in prices during the first half of the month had added to the suspicion. On October 21, three days before the final crash began, he issued a statement from his hideaway denying absolutely that he was captain of any regiment of market raiders.

"In connection," he asserted, "with the various reports which have been industriously spread during the last few days to the effect that a large bear pool has been headed by myself and financed by various well-known capitalists, I wish to state that there is no truth whatever in any such rumors, so far as I am concerned, and I know of no such combination having been formed by others." And he added, "What little business I have done in the stock market has always been as an individual and will continue to be done on such a basis."

Few believed him. Day by day the market continued to slip toward the abyss, and, too close to the catastrophe for any perspective, men were certain that some malign force was at work tearing prices down. Finally came that October 24 and suspicion turned to conviction. In the clutch of that unprecedented day, when the theretofore undreamed of total of 12,894,650 shares were dumped on the floor of the Exchange, newspapermen fell back on hackneyed phrases and called it Black Thursday; and had no words left for the Monday and Tuesday to follow. That Tuesday, October 29, 1929, when 16,410,030 shares were sold, left them stuttering as the stock ticker stuttered.

Something unbelievable, something too gigantic even for the imagination to handle, had happened. Devastated minor millionaires and wrecked twenty-share plungers and the headline historians of their disaster found it impossible to conceive that it could have happened without some one being responsible. They had seen the mightiest bankers of the nation marching day after day into the omnipotent offices of the House of Morgan. They had assumed, though no statement was issued to that effect, that the bankers were determined to turn the tide. And the tide had not turned. Those who had believed it would and had posted additional margins had been wiped out. Some one had to be responsible, some giant as of old to whom even bankers were mere pawns in the game.

It was inevitable that men would turn their faces toward Fifth Avenue and blame Jesse L. Livermore, the one man left in America with a reputation to fit such flattery. In the greatest stock gambling era in the nation's history, of all the multitudes of men, big and small, who flirted in Wall Street with the wench called Fortune, he, almost alone, was cast in the mould of the past. America had become a routine place, too mechanized and too tightly geared to allow more than a modicum of the individual spectacularity that had flourished in earlier days. There were greater traders than Livermore in 1929, certainly, but they had upon them the trademark of mass production industry. Most of them were giants of industry first and giants of Wall Street only secondarily.

On the other hand, Livermore was a speculator pure and simple. He lived by his wits and courage. He had made and lost his fortunes, not in industry, but in a game of probability against the gods. He, alone, was heir to the mantle of audacity handed down by the corsairs of old, the Daniel Drews and Jim Fisks and Jay Goulds, the Jim Keenes and the Jim Hills and the John Bet-a-Million Gates.

The flattery that Wall Street was willing to pay, however, was, though understandable, entirely too uncritical. Like America, itself, the stock market had grown too large by 1929 for any man, or any group of men, to raid. Livermore, with customary frankness, tried, himself, to make that plain. When the rumors were filling Wall Street as prices slipped toward the avalanche, he said, "It is very foolish to think that any individual or combination of individuals could artificially bring about a decline in the stock market in a country so large and so prosperous as the United States. What has happened during the last few weeks is an inevitable result of a long period of continuous, rank manipulation of many stock issues to prices many times their actual worth based on real earnings and yield returns. The men who are responsible for bringing about these fictitious prices are the men who are directly responsible for what is happening in the stock market today. The Federal Reserve Board, through its various warnings and many expressions from very high banking authorities, could not stop the market from going up. So it must plainly seem utterly ridiculous for any sane person to presume that one lone individual could have any material effect on the course of the prices of securities."

He had said that before and had spoken from the heart. Better than any one, he knew just how impossible it had become for one man to raid the market in post-war America. He had sold short numerous times from 1923 to 1929, believing sincerely that prices were being pushed too high. He lost money virtually every time. His sporadic selling had had all the cosmic effect of a bucket of water thrown into the ocean.

How much he lost in testing the bull market periodically during the long rise is unknown. Possibly not as much as the world might imagine, for the years had made him too clever to get caught very far out on any limb. He made it a practice never to be completely a bull nor completely a bear. He was always long and short at the same time, prepared for any urgency, ready to shift on a few moments' notice. Indicative, however, that he may really have lost heavily before he finally hit it right, there was a report in Wall Street near the end of 1928 that he was trying to borrow a $50,000 trading account from one friendly broker.

There is a saying in the Street that there is no bull like a licked bear. At least, to some extent, Livermore is proof. Rather tamed and chastened, he predicted in April, 1928, with the beginning of the storm only twelve months away, that the bull market might last for years. He was far from being optimistic. He said the market was well-financed but unstable, and would eventually collapse. But he admitted that his sharp eyes could see no end.

And, most interesting thing of all, he was supporting the market when the crash finally came. He moved into August and September loaded up with a string of stocks, including General Motors, Radio, American and Foreign Power, Anaconda, and North American. Whatever he had lost testing the market during the long rise was insignificant compared with what he had lost by not being a bull. He had underestimated the public's buying power. The mistake had been costly beyond reckoning. Somewhat tardily, he climbed on board the band wagon, and had to jump for his life. In the final analysis, there is no better proof how unexpected, albeit inevitable, the prosperity panic of 1929 was.

With the crash on in earnest, Livermore threw his fortune literally into a whirlpool. No need for statisticians now. With stock being dumped on the floor of the Exchange in 50,000-share lots, with the stock ticker three and four hours behind and with prices slumping and recovering ten to fifteen points in almost as many minutes, there would be little enough information of any kind. It wouldn't be information now that would win a fortune; it would be courage, and no man need help him there.

Never had Wall Street witnessed such confusion as during the wildest hours of the crash. Some stocks dropped, dropped, dropped, until the market seemed bottomless. To cover on Radio at 70, for example, was to see it sag to 60, to 40, and down through 30. Other stocks dropped, and bounced up to drop again, too fast even for floor brokers to keep track. A trader who placed an order to buy American Can at the market when the floor price was quoted at 143, for example, might discover an hour or so later that the price had jumped to 163 by the time his order was executed on the cluttered, traffic-jammed floor.

In some cases traders were unable to learn until the following day what price they had bought or sold at. Men actually went to sleep at night, or tried to, not knowing whether they were bankrupt or still in the game. Even brokers were at times entirely out of touch. There were times when clerks were two hours behind in the mere mechanical task of telephoning stacked up orders to the floor. More fatal time had to elapse before each order got its turn there, and after the turn came more hours must go by before the ticker tape registered the execution. A nation was liquidating and the machinery of the Stock Exchange, never built for such an upheaval, collapsed.

Into such a whirlpool Livermore plunged. For him it was even more dangerous than for most, for he stuck to his practice of selling and buying at the market. Indeed, before it was all over orders at the market were the only kind many brokers would take. But it was not necessity with Livermore; it was expediency. He had learned in a bitter school that with disaster riding the wind orders at the market were the only kind to be depended upon. He considers buying and selling at the market a sort of business insurance. If he tried to buy and sell at a price the stocks might never reach the chosen levels.

Most large operators wouldn't think of trading at the market. They buy and sell at chosen levels or they don't trade. But that is only because they ride the predictable tides of speculation while Livermore rides the unpredictable winds. His method of operation is entirely different from that of a long-pull operator like Arthur W. Cutten. Cutten gets into a few well-chosen stocks and stays for years. Livermore never gets into anything he can't get out of in fifteen minutes. He trades in small blocks of many different stocks chosen from day to day and week to week. Few of his operations, even where he is carrying out a deliberate, prearranged movement, extend over more than several months. It was this inherent scepticism concerning any lasting order of things that kept him out of a bull market that ran not for a few months but for years. He just naturally couldn't understand a thing like that.

Though he had to take his chance in a whirlpool he was presumably prepared as much as possible. He probably got quotations from the floor during the crash as fast as any one. He warned the public early in 1928, long before the biggest strain had come, that the stock reporting service was entirely inadequate.

"The tape-reader," he said, "and the in-and-out trader are badly handicapped, if not eliminated, from profitable trading by the inability of the ticker to keep pace with the market. Hunches are no longer any good if you can't get your order executed without being 'murdered' for two or three points up or down on account of the variance between the tape and floor quotations.

"Any change in the present inadequate system of reporting transactions," he went on, "would be unwelcome to the men who are making the market. They are abreast of the trading, of course, while the average operator is not. Their services cost them huge sums each year. The whole thing is too big for me now. I haven't the resources to play with the groups that are now in control."

Livermore makes a great distinction between such "powerful speculative groups" and himself. They, he asserts, are the real manipulators of the market and creators of conditions which are eventually blamed on smaller individual speculators. He doesn't consider himself a bear at all, but merely a speculator who takes advantage of conditions created by others.

He asserts he has made more money as a bull than as a bear, and more easily. There is even a story told in certain inner circles that gives him a large part of the credit for starting the long bull market that ended in October, 1929. If true, it is another unwritten chapter in the esoteric history of Wall Street's relations with the White House.

President Warren G. Harding summoned him to the White House along with a group of bankers in 1922, so the story goes, and asked him as a market expert to help the bankers start Republican prosperity.

Livermore's associates admit that he visited Harding and that subsequently he conferred with a group of bankers who wanted his help in brisking up the market. They deny emphatically, however, that his visit with Harding was anything more than a social visit.

The post-war crash in 1920, coming to an end as Harding took office, was not as sweeping as the one in 1929, but in some ways it was even more exciting. It swept the great General Motors Corporation, which he had founded, out of William C. Durant's hands, and it almost caught Henry Ford napping.

Harding then faced much the same situation Hoover was to face ten years later. There had been terrific deflation and unless something were done the country faced a long period of stagnation. Whether he conferred with Harding on ways or means or not, Livermore unquestionably played an important part in swinging prices upward.

Livermore had made millions out of the falling prices. Bankrupt in 1915 and owing some $4,000,000, he had borrowed more capital, speculated bullishly in Bethelehem and United States Steel and made enough money by 1917 to pay off his creditors in full and buy $1,000,000 of Liberty bonds.

He was still loaded up with steels in 1919 when his intuition told him a change was impending. Overnight he changed from a bull to a bear. He went 40,000 shares short in Mexican Petroleum. He went heavily short in Atlantic Gulf and West Indies, American Sumatra and a string of other stocks.

A thrill of hope ran through Wall Street in September, 1927, when Livermore predicted publicly that the deflation was at an end and rising prices could be expected. The prediction proved correct.

He played the same rôle in 1929, for on Nov. 13, after the worst of the prosperity panic had passed, he issued a public statement declaring stocks had been driven down too far. "Leading stocks, with good dividend records and a certain future, are on the bargain counter," he asserted. "People throughout the country have become panic stricken and have thrown their sound securities over without regard to values." But there was this difference between 1921 and 1929: the public gave less attention. No thrill ran through Wall Street. The stock market really had become too large for any one man.

One reason his prediction in 1921 proved correct, and so quickly, is that Livermore became a decided bull and with the millions he had made out of the post-war crash began pushing prices up immediately. He acted as an individual but in advisory consort with George Whelan, the tobacco millionaire, who rose in twenty-five years from the obscurity of a corner tobacco counter to domination over the 3,000 United Cigar stores and affiliated pharmacies scattered throughout America. Whelan has played a smaller part in the stock market in recent years. Control of his far-flung United Cigar chain passed in August, 1929, to the hands of a syndicate headed by George K. Morrow, chairman of the Gold Dust Corporation. But back in 1922 Whelan was a looming figure in Wall Street. He and Livermore had been friends for years.

Except for Whelan's aid Livermore went it alone. The bankers who had approached him earlier with bullish plans were not in on the movement. He had advised them conditions were right, but, at the last moment, they lost the nerve to go through.

Livermore took on a string of Baldwin Locomotive, Studebaker, American Locomotive, General Electric and United States Steel. Whelan agreed to run Mexican

Petroleum and Pan-American Petroleum. Somewhere in the upward rise Whelan is alleged to have got caught and lost millions though the reports are unconfirmed.

Stocks started moving up abruptly. Mexican Petroleum, for example, had jumped 75 points by June, 1922. Near the end of June rumors began flying in Wall Street that Livermore and "his crowd" had been squeezed for more than $8,000,000. It was a beautiful example of how wrong the Street's rumors usually are, and also of how capable Livermore has always been at covering up his tracks. According to the rumors Livermore and Whelan were short when actually they had been behind the bull movement.

Livermore, himself, according to the rumors, had been caught short 100,000 shares and had lost $2,000,000. Passing from one office to another, the rumors soon became expertly embellished. Before long the Street knew, or thought it knew, the very hour Livermore would go with his attorneys to a certain office to settle.

Up in his hideaway Livermore laughed loud and long. He still laughs about it, one of the best jokes of his career.

"The truth is," he grins, years later, "that the afternoon I was supposed to be in somebody's office haggling for my last few dollars, I was at Poughkeepsie enjoying the boat races. If they had only known how much Mexican Pete I bought that day I was supposed to be caught. They said I was caught short 100,000 shares, but any one could have found out with a little investigation that there were only 107,000 shares of the stock available for trading. It would have been next to impossible for one man to deal in all but 7,000 of them. Naturally I had enough sense to go short on part of the floating supply, just as a matter of protection."

He said pretty much the same thing in 1922 but few believed him. He was a bear, wasn't he? If some one had gotten caught short it had to be he, the only bear so far as the average man knew, in America. So, Jesse Livermore, with a bull fortune in his banks, took a holiday in Europe. He sailed August 6, 1922, with a bullish prediction on his lips that must have been a tonic for the harassed, ailing man in the White House.

Whether Livermore ever actually discussed market conditions with Harding or not he couldn't have been a better booster of Republican prosperity on contract. He has been called "The Great Bear" and it is important to understand this phase of his career. In 1923, when the untried Calvin Coolidge had succeeded Harding in office, Livermore became one of the first forecasters of the unprecedented Coolidge bull market. On December 29, 1923, on the eve of leaving for a three months' stay in his winter home in Miami, Livermore predicted victory for Coolidge in the coming election still eleven months away.

"I expect the prospect of his victory to furnish the basis for higher prices in all good substantial stocks," he said. "So far the advance has only been in an investment phase in which quiet absorption of standard issues by influential interests has been in progress. But later on I think the movement will broaden into a forward swing which will be characterized by all the speculative excitement of big bull markets of former years."

Rather an interesting statement, all in all, from a man known to the world only as a bear, and with deep philosophic implications, for it proves how impossible it is in a hurly-burly democracy for any man to change the reputation his frantic countrymen have slapped on him when first he has shouldered up out of the mob.

While Livermore was loitering in Florida that winter, the timid bankers approached him again. They had found a bit of nerve once more. They wanted him to do things in Baldwin Locomotive, the real story of which will be told in a later chapter dealing with the career of Fred J. Fisher, the blacksmith who filled the roads of the world with horseless carriage bodies. Livermore, to his temporary loss, sidestepped the proposed Baldwin deal, and it was one of the wisest decisions he ever made.

Livermore sent a private telegram to Whelan saying he didn't believe conditions warranted the bankers' bullish program. In some way the telegram became public. It seemed to indicate Livermore had turned bear again. The Street shivered. Stocks tumbled. Livermore lost $500,000 in a few hours' time. He had been 20,000 shares short and 80,000 shares long.

He took his loss—marked it off. He always does that. The difference between an amateur and a professional speculator, he has said, is that the amateur posts more margin and prays for a rise. The professional gets out and tries to recoup elsewhere, and usually does.

Livermore has confided to friends that he is right only sixty per cent of the time. Forty per cent of his guesses are wrong. The twenty per cent edge makes millions for him on the volume of his trading.

He maintains his twenty per cent efficiency only by constant study of corporations and market conditions. Few men in America have studied the psychology of speculation as he has. He has built up a statistical organization that would do many a large corporation credit.

Walk into his hideaway after 3 P. M. and you'll find him a different man from the one who sits watching his private price board while the Stock Exchange is open. While the trading is going on he is like a boy, unmistakably caught up by the excitement.

After three in the afternoon, as he tells his friends, his real work begins. He retires to his inner office and spends long hours studying the piles of industrial and stock records his statisticians have gotten ready for him. Many nights he doesn't finish until after eight o'clock.

Not an industrialist in any sense of the word he must know almost as much about the corporations that come within his speculative scope as the men who run them.

He studies the reports and prospects of such corporations minutely. In some ways he knows more about them than any one else does, for he adds to his statistical knowledge an expert comprehension of mob psychology, a branch of study that assumes more and more importance with the number of stockholders in America increasing from 3,000,000 to 15,000,000 and no end in sight.

Sensitiveness to mob psychology is the biggest thing in stock operations, he avers, and next to that willingness to take a loss. He never holds on hoping for better conditions when the market goes against him. He takes his loss and gets busy elsewhere. An experienced speculator, willing to take a loss when he has to and game enough to plunge against odds, can't help making money, he asserts.

Livermore's mind is a storehouse of facts and figures ready for instant use. This mass of information, added to the practical experience of twenty years, is the basis of the intuition that tells him when to get in and out of the market.

He himself compares his intuition to that of a bridge player. After a man has played bridge for a lifetime, he knows when to finesse instinctively.

He got his experience in a hard school. He admits he has been flat a number of times, although 1915, when he went bankrupt, is the only time he will discuss specifically.

He had really lost his money in 1913. He was beginning to come back in 1914, on a shoestring. He had deserted New York and was operating out of Chicago, an old stamping ground. His future looked none too bright. One day there came a long distance call from a broker in New York, possibly from Benjamin Block, a friend since 1906, whose story will be told in another chapter. A New York financier wished to meet him, Livermore was informed, and had plans in mind.

He hurried eastward. But other men had plans in mind, too. The World War broke. Stock values collapsed. The New York Stock Exchange closed its doors, and when they were opened later in the year prices were set at arbitrary figures. Speculation stagnated. There was nothing for Livermore to do but go bankrupt. But he wouldn't stay that way. He managed to rake up another shoestring in 1916, and with it rode the wartime boom into new wealth. He has probably made more money consistently out of little than any other man in the Street. It is probable, too, that his operations have often been exaggerated. Sheer spectacularity has made them loom large.

He and his friends deny that he was flat in 1924 when he withdrew from Wall Street and shifted his attention to grains. His friends assert he was $10,000,000 to the good then and that he made at least that much more in the Chicago grain pits.

The rumor that he has lost his fortune was spread by bankers, the friends claim. The bankers dislike him, these friends insist, because he has steadily refused to help them rig the market. That allegation should, of course, be taken with salt, but there is a story that indicates how differently he and the bankers look at the stock market.

During the worst of the crash, when he was making millions out of a collapsing market which the mightiest bankers in America were trying vainly to bolster up, he took time off, it is said, to explain to friends how little the bankers knew about their chosen job. The bankers, he is said to have asserted, should have used pool tactics. Instead of trying to support prices by buying millions of dollars worth of key stocks on a sliding scale downward, the bankers should first have sold large blocks and then bought back twice as much, thus being able to give twice as much support with the same amount of money. Just what in full the consortium of bankers did do has never been authentically ascertained, of course, except that they didn't do what multitudes of margin speculators expected. Millions of speculators in October, 1929, thought that the historic meeting in the House of Morgan meant that the crash would be stopped. But the assembled bankers, it developed, neither intended nor promised that. They wished merely, as was explained later, to preserve an orderly market. And they didn't succeed to any degree worth talking about. An account of how the brokers attempted to support the market, so far as the facts are ascertainable, will be found in Chapter XI.

Only sixty per cent right in stocks, Livermore proved 100 per cent right in wheat in 1924 and 1925. He got in at the bottom of the spectacular rise that carried Arthur W. Cutten, king of the grain pits, to fame and fortune. They both made millions, became enemies and caused another federal investigation of the grain markets.

Livermore started buying wheat at around $1.04 a bushel. He held it until the price was somewhere near $2. Then wheat started slipping, the decline culminating in a Black Friday, April 3, 1925, when the bottom dropped out. Again his intuition had come to his aid.

He got out in a few hours' time and turned from a bull to a bear. Concerning his bearish activities, there were various conflicting reports at the time. In Washington it was reported he sold 50,000,000 bushels, an obviously exaggerated estimate. In Chicago it was said that he couldn't possibly have sold more than 15,000,000 bushels. At any rate, wheat dropped from $2.05 on January 28, 1925, to $1.36 on April 3, 1925, and Livermore made millions out of the crash.

He judged the market so well that he caught it on the bounce. Whatever else he did, it can be stated authentically that in one swift fluctuation he sold 5,000,000 bushels short, took a ten point profit, switched long again and made another ten point profit on the rebound

—more than $1,000,000 in all on one brief series of trades.

Both he and Cutten were in Florida at the time. Cutten was away on an automobile trip and supposedly out of touch with the market when Black Friday broke. A report was circulated that Livermore, planning a raid, had arranged the automobile trip to get Cutten out of the way and had begun dumping wheat the moment he was out of sight.

Livermore has denied that curious report time and again. He has even offered $10,000 to any one who can prove that he arranged the trip or that Cutten wasn't constantly in touch with conditions.

Livermore wasn't a beginner in the grain pits in 1924 by any means. Though recognized chiefly as a stock market figure, he had been active in commodities, and still is, from the beginning of his career. Time after time, for example, he has made killings in cotton, starting with a $500,000 coup in 1908, of which the world has heard hardly a word. He played cotton in 1927 from thirteen cents to nineteen cents a pound. He also has lost. He lost $5,000,000 in cotton in six weeks in 1923. So far as wheat goes, his operations were so large previous to 1924 that he was one of the chief witnesses called by the Federal Trade Commission in 1922 in the investigation of the wheat pit carried on that year.

He admitted at that hearing that he had bought and sold 5,000,000 bushels at a time during the war market, and he explained his theory as to the public value of short selling, which though given in a wheat market investigation applies equally well to the stock market.

"The speculators," he said, "the in-and-outers, are the stabilizers of the market. Did you ever stop to think what might happen to the market some day if there were no buyers and some unexpected bad news arrived over night? The shorts come to the rescue of everybody on bad days. They are the life-savers, a necessary evil. If we are going to have exchanges—and in my opinion we must have them—we cannot get along without shorts."

A short, of course, sells borrowed stock or grain, believing that the market will slump and he will be able to cover at a lower price. As prices fall he has to buy, in order to return the stock or commodity he has borrowed and sold at a higher price. Thus, in Livermore's opinion, the shorts, by buying on a falling market when no one else is buying, provide a cushion and keep prices from dropping precipitously to the lowest levels.

Livermore's interest in the commodity markets partly explains why he must maintain such an imposing staff of assistants. He studies commodity conditions from month to month as exhaustively as he studies corporation conditions. Up to 1924, however, his chief activities centered in Wall Street. After 1924, and up to some time in 1929, except for sporadic sallies in the stock market, he centered his attention elsewhere.

He admitted that changed conditions in Wall Street were responsible for his shift. America had come of age and her stock market had grown too large for one man to handle. It was an entirely different market from the one in which he had attained renown a short five and ten years before. The day of major manipulation had dawned, with enormous syndicates and groups in control. The era of the lone wolf in Wall Street, ushered in by the War Between the States and ushered out by the War Between the Nations, was gone forever. The commodity markets, still in a more provincial stage of development and still capable of being calculated according to time-tried statistical formulas, offered a better field for an individual economist-speculator.

"With one thousand issues, representing every industry, listed on the Stock Exchange," he said in 1928, "there is no such thing as a trend any more. All industries can't slump or prosper at the same time. Our market is becoming more and more like the London Stock Exchange. Any attempt to fix a trend for such a variety of issues as is represented now on the Big Board is futile. The stock market looks like a speciality proposition from now on.

"The wide diversity of issues listed, coupled with the willingness of three or four powerful speculative groups to co-operate on the constructive side, has created a market vastly different from any ten years ago.

"There will be great fortunes on the short side when the break eventually comes in the present bull market, but it is harder to determine the least point of resistance nowadays."

He went on, nevertheless, to outline what to his experienced mind would indicate that the break had begun, a test which he undoubtedly used in deciding in 1929 when to unload his holdings and sell short.

"My test of the market," he revealed, "would be a drop of say twenty points in twenty-five of the speculative favorites. This does not mean the stocks listed in the newspaper averages, for there are too many issues in these lists which do not reflect any great movement day after day and which help, therefore, to stabilize the averages. I mean the stocks in which speculation is most active."

Livermore's expert knowledge of the market, and especially of mob psychology, has been used often by corporations needing to influence the public in order to float new issues of stock. More than the average small investor realizes, intricate financing programs of great corporations depend on which side of the bed he gets out of in the morning, and more than he could imagine possible his daily state of mind is determined by such magicians as Livermore.

He explained to a Senate committee in 1923 how he helped make a market. The Mammoth Oil Co., a subsidiary of the Sinclair Co., wished to market 151,000 shares of new stock. To get the public to buy it was necessary to support the stock on the market and keep it active.

Livermore received a commission of $9,916 for buying and reselling $10,000,000 worth of stock for a supporting syndicate or pool.

He explained that unless there were some buying agency to take offerings "the public would have no confidence in the issue."

One of his most spectacular operations was the wild trading he did in Piggly Wiggly stock in 1923. He was employed by Clarence Saunders, president of the company, to push prices up, ostensibly in order that the company could market 100,000 additional shares.

Livermore pushed the price up 52 points in one day, buying more than 50,000 shares, and then dropped the operation suddenly when it developed that he had created virtually a corner in the stock owing to the company's sudden decision not to float a new issue. Livermore declined to spring the corner. The Stock Exchange nullified rules and allowed the shorts five days to cover. Saunders came out of the fight a ruined man, although he later started a new company and regained many of his lost millions.

Fifty-one now, Livermore looks more like forty. He looks so young that newspapers with customary naiveness still call him "The Boy Plunger," the title that was wished on him in 1907 when he bobbed up, an unknown, with $3,000,000 of bear profits.

His blond, almost white hair, naturally shows none of the usual marks of age. His face is clear, ruddy, unlined. He smokes cigars constantly, wears dark, subtly-tailored suits and drives gay Rolls-Royces, preferably of a dazzling yellow.

He keeps half a dozen residences scattered around the world. His favorite one is at Kings Point, L. I. When in the press of work, however, he lives at the Savoy Plaza in New York City. He takes long holidays, after every killing in the market in his steel yacht which has a cruising radius of 10,000 miles. When he travels on land he always takes his private telegraph operator with him, in addition to a corps of secretaries.

His hobbies are fishing and sailing. A great mounted sailfish he caught several years ago in Gulf Stream waters adorns one wall of the reception room of his offices. On another wall is a picture of his yacht. On another wall is an enlargement of the ticker tape during the first hour of the wildest day of the panic J. P. Morgan, the elder, started in 1901 in his fight to keep the Northern Pacific from being seized by E. H. Harriman.

When Livermore wants something done he wants it done in a hurry. When he steps into an elevator in the building that houses his hidden offices, it whisks him to the eighteenth floor without a stop. He drops his "g's" in casual conversation and still has more than a shade of the accent of Boston, where he started his career as a clerk in a brokerage house and lost his job because of his proclivity for playing the bucketshops. He is claimed to have been so adept at bucking the latter that some of them declined eventually to take his bets. So, with a very few thousand dollars, he left Boston, searching for larger fields.

Few in New York had ever heard of him when he emerged from the panic of 1907 as the "Boy Plunger." He had carried on most of his operations from Chicago. It was that panic that gave him his reputation as a bear. He has never been able to shake it.

He doesn't like to be called always a bear, and with some justice. He had an editor arrested for criminal libel in 1920 for using loose language like that, though he eventually dropped the case.

The rôle of bear is an uncomfortable one. Whenever the market starts crashing, cranks start sending him letters threatening his life or warning that his home will be robbed or his two children kidnapped.

But that isn't the reason he moves so mysteriously and keeps his offices secret and unlisted. His offices are hidden, his associates explain, because he doesn't want to be troubled with Wall Street advice. Whenever he listens to advice instead of to his own intuition he loses.

"The men who really know things aren't going to tell me," he laughs. "And it doesn't do much good to listen to men who don't know."

And he adds this bit of market philosophy:

"The successful operator is the intelligent one, the man who looks into the future and after calm deliberation acts on his own judgment.

"There is one thing I have never been able to comprehend, and that is why men who become interested in the stock market will seek a tip or advice from almost any one but himself.

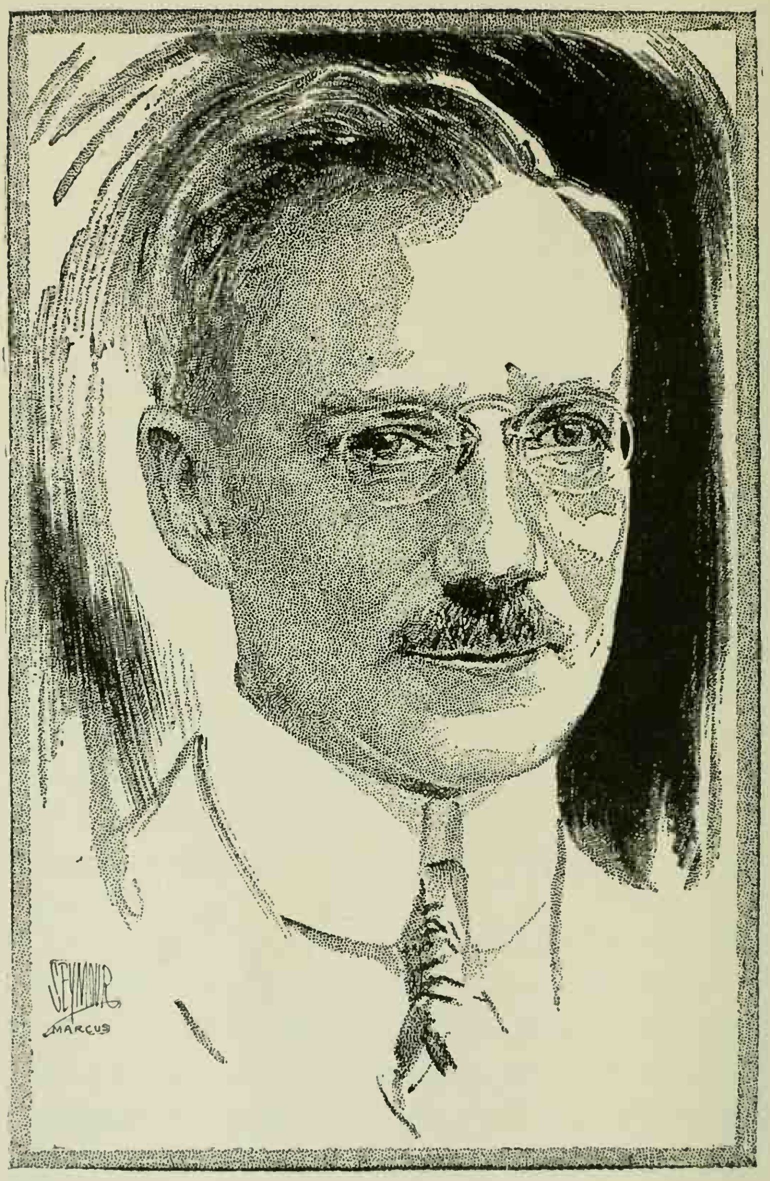
"When a business man contemplates the purchase of a big bill of goods he does not go around seeking other people's advice before taking the step. Yet when it comes to the purchase of stocks he will rely completely on another's judgment.

"In this business every man has got to realize that he is an individual. He must think and act for himself if he ever expects to be really successful.

"Today in the stock market is like other days: in a few hours it is gone. Don't put all your hope and money on today. Look into the future, and if you are able to discern what the future holds you will be successful."

Neither does he like to be considered a gambler. He defined the difference between gambling and speculation once.

"A gambler," he said, "is a man who doesn't know the market. He goes to a broker and says, 'What can I do to make a thousand dollars?' He is only an incident. The speculative investor buys or sells against future conditions on his knowledge of what has happened in the past under a similar set of conditions."


SEYMOUR
MARCUS

III

ARTHUR W. CUTTEN

A Novice with a Bag of Tricks

OUT of the West, late in 1925, came a white-haired man to try his hand at a new game.

He was 54. Bespectacled, stiffly collared, a quiet salt and pepper sort of person, he seemed a cross between a Main Street merchant and a soft water college professor. He was pleased, with dry humor, to call himself a farmer.

His name was not unknown in the Republic, but it was new. He had emerged from democracy's obscurity less than two years before, in July, 1924, by taking some $1,500,000 out of the corn pit of Chicago. Six months later, in January, 1925, his name again went through the land. He had made, astonished Chicago experts exclaimed, from $10,000,000 to $15,000,000 in wheat.

Thus, Arthur W. Cutten, erstwhile Chicago bookkeeper, came to Wall Street late in 1925 a multimillionaire. But wealth had ventured there before and he admitted he was a beginner. His advent caused no ripple, no headlines.

Wall Street, it can be said now, should have paid more attention. The visit of this wiry, gray-headed trader from the grain pits was one of the historic things that have happened in a street where anything can happen and usually does.

It took the Street almost a year to wake up. When it did, early in 1927, Cutten was a fabulous figure, an outsider who had become an insider, an elect of that little cult of giants who pushed prices dizzily up and up to produce the greatest bull market in history. For more than three years he was a high priest of optimism, and when the crash finally came he stepped out of the wreckage with a fortune estimated at from $30,000,000 to $80,000,000.

The superficial explanation is simple. He got in on the ground floor, and, as other Western members of the inner cult did, held on against all precedent and rule of the economies and history, not to mention against sincere advice of Eastern men who had spent their lives in Wall Street.

Some of the stocks he plunged on rose 300 to 400 points. He started buying Radio in 1927 at from 80 to 100 and Montgomery Ward at about the same level. He assembled at least 100,000 shares of each, possibly 200,000.

His Radio, on the split shares, reached 570 in value and his Montgomery Ward reached 624. And, strangely enough, he didn't unload. Months after the crash of

October, 1929, he still held a major part of the line he had assembled.

That will sound unbelievable to the average speculator, who imagines that the only secret to long-pull operations is buying low, holding on and selling high. Cutten is a long-pull operator, the king of them all, but his formula, below the surface, is not so simple.

When he entered the market, in 1926, he liquidated all his resources and borrowed to the limit. A large part of this capital he immediately sank in stocks he believed to be good investments. He bought on margin and was thus speculating, but he speculated as a potential investor. The remainder of his capital he used strategically over the three year period, buying and selling additional blocks of various stocks, according to constantly changing conditions.

Usually he sold on a 10 or 15 point movement, whether up or down, at profit or loss. If he won he marked the gain off the cost of his basic holdings, which he kept always intact. If he lost he added the loss to the original cost of those holdings.

A bull, he was not averse to playing bear when conditions warranted but, naturally, his daily and weekly strategy was predominantly constructive. His heavy buying in 1927 helped start Radio and Montgomery Ward on the long trail upward, and his steady trading in smaller blocks throughout 1928 was a dominant influence in pushing prices higher.

By the middle of 1929 he had paid off every cent of borrowed money, according to apparently well-posted bankers, and had marked working profits off the costs of his original holdings until he owned all of his Radio and a major part of his Montgomery Ward without having paid a dollar. He had changed, in other words, from a speculator to an investor.

He operated in similar fashion in a number of other stocks, though his biggest plays were in Radio and Montgomery Ward. He was constantly in and out of the market in all of them, but with basic holdings intact and held for permanent investment on the long pull. He acted in more or less close co-operation with others on the constructive side, a number of large speculators, most of them from Chicago, following his lead, notably Louis W. Zimmerman, whose story will be told in another chapter. Cutten's method of operation has, of course, been used by other large operators, but few have ever used it over so long a period.

When the crash came he had only to sit tight. He had cleared his decks. His original fortune was safe in the banks again. He had amassed an additional fortune, several times larger than his first one, consisting of some hundreds of thousands of shares of stock which had cost him nothing.

Three or four strong groups or pools operated in Radio during the so-called Coolidge market. One of these, while it was in process of organization in 1928, Cutten was asked to join, so they say in Wall Street. He declined, it is said, chiefly because he was already entrenched in the stock and was busy with his own strategical plans. He had gotten in more than a year ahead of this new pool and had his hands full.

There were several bothered conferences of members of the new syndicate. They knew that the Chicago speculator held a large percentage of the floating supply of Radio. If he didn't come in with them he would be a constant danger, able to unload and break the market whenever he wished. Finally, it is said, they went to him again and asked flatly, "Will you agree not to unload on us?"

Cutten promised not to unload, and didn't, despite the amazing peak to which that untried, nondividend stock was pushed. Unloading wasn't his game. His situation in Radio explains one of the mysteries of the stock market, how a wealthy man can push up the price of of a stock, and thus get the public in, merely by buying in sufficient quantities and how he can take a great profit without ever unloading or removing his basic support.

Had he unloaded his basic holdings any time during the remarkable Radio boom in 1928 and the early months of 1929 he would probably have broken the movement, for the Radio boom was peculiarly a technical and psychological affair. The stock had never paid a dividend and its market value depended entirely on whether those who held the bulk of it refused to sell. Had Cutten unloaded as smaller speculators did when the crash of 1929 was under way he might have knocked the bottom out of the market and helped cause a real panic that would have endangered the credit structure of the nation. As it was, after the prosperity crash of October, 1929, with Radio selling at around 40 for the split shares, he still had a profit of some $60 a share on the stock he had bought at around $100 before the four-to-one split. The lowest level Radio reached during the worst of the crash still left him at least $12 profit a share.

Cutten's operations were, of course, much more difficult and involved than such a bare explanation indicates. Assembling his basic lines of stock was a tedious and subtle business. Naturally, if he had entered the market and bought 100,000 shares of Radio or Montgomery Ward without camouflage or smoke screen the price would have gone rocketing before he was in. That the rise began only months after he was set shows how cunningly he and his brokers worked.

He used at least a dozen brokers. Day after day they bought and sold, bought and sold. To the public the stock seemed active, but untempting. The brokers were careful to keep it from becoming tempting. If it started rising they sold it down again. Usually, however, at the end of each day's trading each broker had a few thousand more shares tucked away.

Sometimes they had to buy 50,000 shares and sell

49,000. Sometimes they had to sell more than they bought. But day by day in the long run the stock stuck glued to their fingers. The price rose, naturally, for each day there was a little less stock in the market to be bought, but the rise was so slow and so controlled that, except to trained eyes, it was nearly imperceptible.

Other large speculators and groups were carrying out similar operations, especially in Radio. A point was reached in Radio when there was scarcely any stock left on the market, a technical corner. Mike Meehan, the Radio specialist of the Exchange, was given credit. His version of the Radio boom, in some ways the most spectacular movement of the long bull market, will be given later.

After the crash it was generally reported in Wall Street that Cutten had lost around $40,000,000. The report was more or less true. Cutten did lose millions of dollars but chiefly on paper. Except for a few weak spots where he hadn't managed fully to clear his decks (even a million or two would have been small loss in the clean-up) the crash took from him only a shrinkage in paper value of stocks owned outright. According to one estimate he had $150,000,000 in paper profits at the peak of the boom and the crash reduced these by about $50,000,000.

The figures are probably faulty, but the ratio probably comes near to being correct.

Unlike the more spectacular William C. Durant, who likes to carry a great string of stocks at a time, Cutten operates only a few well chosen issues. Other stocks he speculated in heavily during the Coolidge market included Union Carbide, United States Steel, Texas Corporation, Sears Roebuck, Sinclair, Mexican Seaboard, Kolster Radio, International Harvester and Baldwin Locomotive. He made a small fortune in each.

His operations in Baldwin Locomotive in 1926 and 1927 gave Wall Street its first warning of what its new customer was like. Baldwin Locomotive introduced him and the seven Fisher brothers of Detroit to the Street simultaneously, and, as is the way when strangers arrive by crowds, the Street has been getting them mixed up ever since.

The whole comical story of the Baldwin filibuster will have to be told in a separate chapter devoted to the Fisher brothers, for it is chiefly their story. But Cutten's part must be outlined here, a part that had much psychological influence in later months.

The stock was selling around 92 when Cutten first started looking Wall Street over. Suddenly the stock started moving. Month by month it went up—to 150, to 200, to 225, and finally, in August, 1927, just a few days before a meeting of the Baldwin board of directors in Philadelphia, to 261. That meeting proved what had been rumored in Wall Street for months, that Frederick J. Fisher and his six brothers had been fighting for control of the Baldwin company and that newcomer, Cutten, had edged into the struggle.

It was taken for granted that Cutten and the Fishers had acted in prearranged agreement. Another version has it, however, that Cutten learned or shrewdly guessed what the Fishers were up to, and with the nerve that had won him millions in the grain pits pitched his fortune into the fray. He started buying Baldwin at around 150. He is said to have gotten from 15,000 to 35,000 shares in the struggle, making a paper profit of from $3,000,000 to $10,000,000. Whether there was a prearranged agreement or not, the Baldwin fight undoubtedly resulted in closer contact of Cutten and the Fishers.

From that time on, financial pages and brokerage houses were filled with rumors of this Cutten-Fisher movement and that. The words "Cutten-Fisher" became as much a stock phrase as those old stand-bys "raid by bears" and "support by bankers." The Cutten-Fisher group was planning one day, the public would learn, to organize a holding company embracing investments in Baldwin Locomotive, Westinghouse Air Brake, American Rolling Mills, American Steel Car. A few days later the public would learn that the rumored plans had grown to include a $500,000,000 oil investment trust, to acquire stock throughout the petroleum industry, both in independent and Standard Oil companies, such an investment trust as had never been seen in the world before. And finally came a report that what Cutten and the Fishers were actually planning was a "billion dollar circular trust embracing all industries." That was back in the days when men were valuing stocks at fifteen, twenty, even sixty and one hundred times their earning power. Now, as then, you'll have to figure the rumors out as best you can.

There was a gigantic oil investment trust organized, formally announced January 23, 1929, the Petroleum Corporation of America, capitalized at $110,500,000, which, if it wasn't $500,000,000, was still an unprecedented figure. Cutten was given credit in newspapers for engineering it, though none of the Fishers were named with him that day in the financial notices. It should be added, for what it is worth, that one associate close to Cutten said months later that the rumors of a Cutten-Fisher petroleum combination was "just newspaper talk."

It is true, however, that Cutten has invested in many corporations the Fishers have invested in, and it is generally believed, as was pointed out in an earlier chapter, that they were both members of Durant's prosperity consortium.

Among the corporations, in addition to the Baldwin Locomotive Works, in which both are known to be heavy investors are the Texas Corporation, Westinghouse Electric, Westinghouse Air Brake, Mexican Seaboard and Radio.

One of the most interesting phases of Cutten's career is his evolution in recent years from a speculator into an industrialist. The block of stock he grabbed in the Baldwin Locomotive scramble landed him on the Baldwin board of directors, and his subsequent operations landed him on other boards, including those of the Sinclair Consolidated Oil Corporation and the Armour Packing Company. There have been many industrialists who, forced to venture into the stock market to protect stocks of their own corporations, have been caught up by the glamour of the game and have remained to become speculators. There are fewer men in the history of Wall Street who have gone the other route. Jesse L. Livermore, for example, a man much like Cutten in origin and temperament, still remains predominantly a speculator.

Cutten has been greatly aided in his stock operations by his nephew, Ruloff Cutten, who came to New York from Chicago in 1924 and is now a partner in E. F. Hutton & Co., 61 Broadway. The elder Cutten uses at least twelve brokerage houses for his operations, but it is in his nephew's office that he watches the ticker tape when he is in New York, which isn't often.

He could stand on the busiest corner of the financial district on the lower end of Manhattan and not be recognized by one man in scores, if indeed, any one recognized him. Nor would the uninformed, glancing at him, ever imagine him the powerful Wall Street figure he is. He is deceptively quiet, both in manner and appearance. See him in his nephew's office, however, on one of his rare visits to New York, and you would know, without having to be told, that he was involved in big things. You would know it by the way he hitched his chair up close to the stock ticker and by the sudden snap in his eyes and by the very hurried running to and fro of messenger boys carrying his orders.

The quiet, gray-haired man will never like New York as well as Chicago, where he landed from Guelph, Canada, twenty-eight years ago and where, working for a wheat broker, it took him five years to save his first $1,000.

When he is in New York his nephew, who is 34, has trouble getting him to theaters. He prefers to go home to the younger man's apartment in the Sherry-Netherland and to go to bed early. That's the way he passes an evening out on the farm, his showy 800-acre place, 25 miles from Chicago—the investment that allows him to call himself a "dirt farmer." A queer farm that. There are twenty work horses on it, but they never work. "I feel sorry for the old fellers," says Farmer Cutten, with a rural accent. "It's easier for tractors to work."

A stranger in New York, he isn't much better known in Chicago, his center of activities. He has always managed some way to keep out of the beaten ways. His killing in corn in 1924 wasn't his first by any means, for he had been a figure in the grain markets for years and had already seized immense wealth, but that coup was the first that made his name really known.

Like Livermore's in New York, Cutten's office in Chicago is a hideaway place. Its frosted door bears the name of a company which has offices in another part of town. From this office he telephones his nephew and other representatives in New York many times a day.

Cutten and Livermore are sufficiently alike, in origin, temperament and method, to dislike each other cordially. Theirs is one of the few feuds Wall Street of 1929 has produced.

They both started as clerks in brokerage houses. Both are ready to risk a fortune in any man's game. Livermore deserted his stocks in 1924 to risk his fortune in grain, Cutten's game. Cutten deserted his grain in 1926 to risk Livermore's game of stocks.

Their feud began when they rubbed elbows in wheat. Somewhere in the long rise that sent wheat up and over the $2 top in 1924 and 1925 Cutten became aware that there was a gray-eyed stranger riding behind him, as close as his own shadow. When Cutten bought his shadow bought, and when Cutten sold it was as two men selling. At first he may have felt uncomfortable, for Cutten was accustomed to riding his battlefield alone.

Plenty of camp followers he had found out there in Chicago, but few men with the nerve to ride with him.

But gradually he felt more at ease, even vaguely satisfied, for here was a man after his own heart, a plunger heaven-sent to help him push wheat higher than all the elevators of the West piled one on the other. Cutten predicted $2 wheat, and then, growing more confident, raised the ante to $3.

He accumulated from 15,000,000 to 20,000,000 bushels for December and May delivery—more wheat than any one man had ever controlled in history. He accumulated additional millions for later delivery. And always this newcomer named Livermore rode hard behind him.

In March, 1925, they were both in Florida, Livermore in Palm Beach and Cutten in Miami, both with the wheat ticker clacking within earshot. Always that clack, clack, clack. If they escaped its actual sound, if like lesser men they sought to be lulled by sun and waves, the clack-clack probably went on inquisitionally inside their heads. March turned to April and still wheat soared. Winter was over, and soon all the starlings of wealth would be flying northward again, and soon it would be time to be selling the stored grain in preparation for a new gamble in a crop the farmers had not yet planted.

Cutten decided to take an automobile trip. He would manage to escape from the tyrannical ticker for a few days, a few hours' holiday along quiet outland roads. He deserved a holiday. Months ahead of other experts he had foreseen a world shortage in wheat. He had bulled wheat into one of the most frenzied booms in Chicago's history, with everybody buying, from messenger boys in the Loop to social leaders on the North Shore. He, himself, had made an average profit of 75 cents a bushel on his December deliveries.

He deserved a little rest, and Miami was no place to get it. Even a man without a wheat ticker to worry about could find little enough rest there in those days with the Florida boom reaching into a final frenzy. Money-mad Miami promised quiet but gave only a boom-town bedlam. Cutten climbed into his touring car. An horizon of sea and palm trees, the real Florida, beckoned.

Hardly was Cutten out of sight when, a continent away, riot was loosed on the floor of the Chicago Wheat Exchange. Wheat dropped 16 points in a few hours. It was the wildest day in the memory of wheat traders —Black Friday the Third, April, 1925. From Florida, according to reports, came orders in an hour's time dumping 8,000,000 bushels of May grain.

Jesse Livermore got credit for a bear raid. That he did sell short is certain. He sold at least 5,000,000 bushels short, took a ten point profit, caught the market on the rebound and took another ten point profit long on the upward swing. That he caused the sudden drop has never been proved.

A story grew that he had planned it, that he had even maneuvered Cutten's automobile trip to get him away from the stock ticker. As was pointed out in the last chapter Livermore has denied that rather flimsy allegation, even offering $10,000 to any one who will prove it, or even prove that Cutten wasn't constantly posted on market conditions.

True or not, that started the feud. It didn't stop Cutten buying wheat. The drop had cost him three or four million dollars, but he didn't change his position. A month later he bought 6,000,000 more bushels on July and September options.

Four years later, when stocks were crashing in New York, the old feud caused a report to flash through Wall Street that Livermore, still enraged at that story told in 1925, was centering a raid on so-called Cutten stocks.

Cutten's stock operations have flabbergasted many an Eastern expert, who up to 1928 would have laughed at the possibility of a mere wheat trader outguessing him in Wall Street. Time and again during the long rise in prices he was advised to get out while he could.

Prices couldn't possibly go any higher, said men who had spent their lives gauging stocks. Cutten said they could and would, and they did. Some of the Eastern experts, veterans in the Street, went short on the market in 1928, and would have been ruined had Cutten's predictions not held good. They covered, took their losses, went long and recouped on stocks that went up and up to levels that only a few Western men like Cutten, Durant, Fisher and Zimmerman, had ever dreamed possible.

Cutten admitted throughout it all, with his habitual dry humor, that he was just a beginner in Wall Street. "I'm just a beginner," he asserted whenever any one tried to get him to talk about his own operations and market conditions in general. "I could not presume to discuss markets and stocks generally when I am still so young in the game."

He wasn't, of course, as much a novice as he would have the world believe. He had dabbled in stocks for years. One of his first killings, it is said, was in Soo Line stock, back in the days when he was an unknown even in the grain pits. He made some $150,000 in that flier. In 1923, three years before he shifted his chief activities to Wall Street, he was given credit for a raid on Stewart-Warner Speedometer stock, which was selling at $125 and was expected to go to $150. Suddenly thousands of shares hit the market and the price dropped to $74.

One of the few times he specifically discussed stocks during his long-pull bull campaign was when International Harvester was selling below $150 and it was reported that several executives of the company had become pessimistic and sold some of their personal holdings. Cutten clucked his tongue at the report and said he believed the stock was worth more than $200 a share. It wasn't long until the market price was up around $250.

Nerve is the principal thing necessary in trading, he had said. He doesn't do much philosophizing now but he used to. Back in 1924 when Chicago was reverberating with his $1,500,000 coup in corn he advised the public to keep out of the grain pits.

"Yes, I have taken my bit out of the market," he said, "Oh, quite a bit. But I would advise other men to stay away from it. If I had a son I wouldn't let him touch it with a ten-foot pole.

"There are too many wrecks down there in the pit. People call them brokers. They are only part of that—the broke part. Not more than ten per cent of the men who go into grain ever remain. The others just dwindle away. The Lord knows what becomes of them. And the ten per cent are mostly the broke brokers. They know the game in and out. They can trade for other people, but they can't trade for themselves.

"Why? Well, I don't know. There's simply something wrong. Perhaps, it's nerve. They lose their nerve when they're handling their own money. So, they have to trade for others on a salary. That's as far as they ever get."

All of which helps to explain why he eventually shifted from grains to stocks. The stock market offers a chance for permanent investment. The grain market does not. Another reason, however, for his shift was the more and more determined supervision of the grain markets by the federal government. Washington's decision to scrutinize all trading accounts was a final blow. "No one," Cutten observed, "can do anything when the government can look at what you are doing."

He testified, with Livermore and other grain operators, at the Federal Trade Commission's grain hearings in 1922. He admitted in that testimony that he had lost heavily at times in the grain markets. He had been caught in the May squeeze of that year, he testified, and had had to sell 110,000 bushels at a loss.

That squeeze was dramatic, and it had an interesting sequel. J. Ogden Armour, the late Chicago packer and also a major operator in grains, was on one end. Cutten was on the other. Cutten is said to have held in all from 2,000,000 to 3,000,000 bushels for May delivery. There was not much more than half that amount in the elevators which could legally be delivered to him. In other words, the elevators were short. With Armour the elevators managed to get the Chicago Board of Trade to declare wheat on freight cars and in private elevators legal delivery.

Cutten fought that stratagem with all the power he could but the elevators proved to have the greater influence. The Board of Trade gave the ruling they desired, and wheat was rushed in by the trainload and delivered to Cutten. The price of May wheat broke from $1.46 a bushel to $1.16. Cutten lost heavily.

On a smaller scale that squeeze was much like the maneuver Phil D. Armour, J. Ogden's forbear, used in 1897 to break the wheat corner held by Joseph Leiter. Young Leiter, newly graduated from Harvard, was supposed to be handling the real estate holdings of his father, Levi Z. Leiter. His father had set him up in business with a $1,000,000 nest egg. Chicago woke up one day and discovered, however, that the young man had been buying up all the wheat he could get his hands on.

The elder Leiter found himself dragged into the struggle, perhaps against his will. Millions became involved. The fight narrowed down to a pitched war, the Leiter millions against the Armour millions, with the Leiters, son and sire, holding a virtual corner.

Armour had millions of bushels of grain in the Northwest and on board lake freighters. The freighters were frozen tight in winter ice in the lake harbors. Armour sat down and figured out just how much of his Northwestern supply was tied up on the frozen vessels. He decided it was enough to break the corner if he could get it into Chicago for delivery.

In ordinary course, that wheat in transit would have remained on board the ice-locked ships until the spring thaw came. But spring might mean ruin for Armour. He ordered a fleet of tugs and commissioned them to break his freighters free from the ice at any cost. That ice-breaking job became a front-page story throughout the nation. One by one the freighters came free and the soaring price of wheat trembled. Armour stomped about his Chicago office and chartered more tugs, listened to all degrees of suggestions as to how ice could be broken up. Then one day the price of wheat not only trembled, but tumbled. It tumbled from $1.85 to $1.25. Armour had won. The Leiters had lost millions.

The sequel of the smaller Cutten-Armour wheat battle was this: J. Ogden Armour, as a result of the general post-war crash of 1920, found himself in financial difficulties. He died owing Armour & Co. some $18,000,000. In 1928, Cutten bought 600,000 shares of the company's Class B stock which Armour had pledged against his debt. Cutten paid about $3,900,000 for this stock and was elected to the board. He is said to have gotten the stock at twenty to thirty per cent under the price current in the market at the time.

It was during that federal inquiry in 1922 that Cutten pinned upon himself the title of "cash grain merchant and dirt farmer." When he said he considered himself a farmer, the several eyebrows of the inquisitors lifted.

"Did you go from the farm to the city, or from the city to the farm?" Victor Murdock, acting chairman of the Commission, asked.

"From the city to the farm," laughed Cutten.

His farm in Du Page County, Illinois, twenty-five miles from the Chicago grain pits, is really a suburban home, though it contains 800 acres, 80 cows and 500 hogs. The place is his pride, and he spends many months of the year upon it, with the result that his face really does have a tanned, leathery, agricultural look.

Farm life doesn't interfere, however, with his business. He goes to his office daily. One of his chauffeurs can get him there in less than an hour. There are also private wires connecting the farm with his Chicago office and with brokers in New York. Night or day he can keep in touch with conditions.

His Chicago office is rather an old-fashioned place, with more the atmosphere of a study than of a center for huge industrial and speculative operations. There are few telephones and few assistants. The door to the inner sanctum is always open and intimates walk right in. The chairs are of leather, deeply cushioned. Framed photographs decorate the walls. One is an autographed likeness of James A. Patten, Cutten's immediate predecessor in the long line of grain kings who have ruled Chicago.

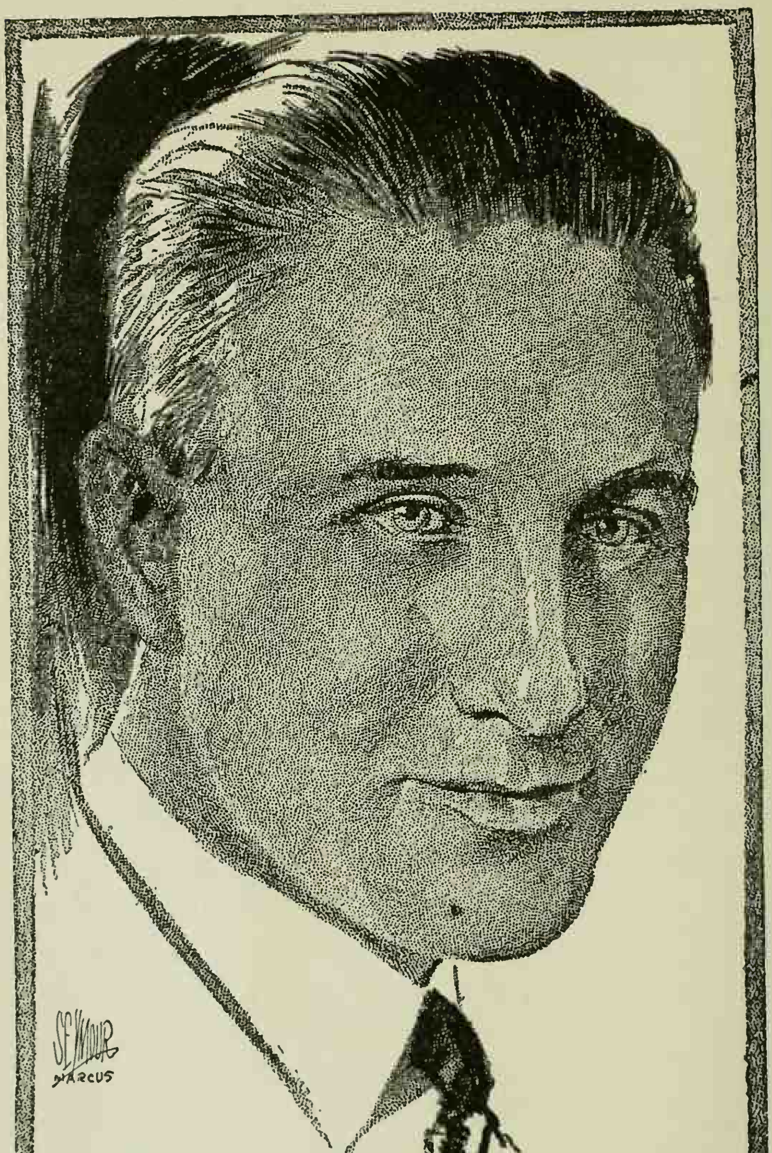
It is said that none of those earlier kings ever operated on the scale of Cutten. Patten's most famous coup was in 1902, when he cornered wheat, forced it from $1 to $1.34 and took some $2,000,000 profit. His associates made other millions. That corner, claimed to be the largest operation in wheat up to that time, started the long agitation for legislative control of commodity trading. Patten, who died December 8, 1928, held on to his millions, placing them in safe investments, but he lived to see his predecessor outstrip him both in size of operations and in profits. Cutten, who earned $7.50 a week on his first job, paid $450,000 income tax in 1925 on his 1924 profits, the largest tax in Chicago, and his largest operations were still around the corner of time. Patten paid $100,000 less that year, the last that federal income tax lists were open for public inspection.

It is probably true that Cutten has dealt in more grain at one time than any man who ever lived, but other kings of the grain pits made more spectacular coups. "Old Hutch," more formally known as B. P. Hutchinson, drove wheat from 90 cents to $2 a bushel in two weeks' time in 1888. He lost most of his profits later. It was James R. Keene, who also graduated from grains into stocks and became a dominant figure in Wall Street, who really introduced the grain corner as a device for getting rich quick. Keene drove wheat from $1 to $1.65 in 1879, but the get-rich-quick device, effective for men who came later, failed to work in his hands. He held on too long and was swamped with wheat from Europe.

Cutten was born in Guelph, Canada, in 1870. He emigrated to Chicago when he was twenty years old and got a job as a messenger boy. Later he became a bookkeeper for A. S. White & Co., brokers. He remained there fourteen years, watching others trade, understudying the giants of that day. He got his own membership on the Chicago Board of Trade in 1897 and within ten years, it is said, was a millionaire.

Though he has always deplored it, the public has made a habit in recent years, whenever information could be obtained, of plunging when and where he plunged. Thousands of small investors bought so-called Cutten stocks during the bull years from 1926 to 1929.

After the big crash there was a report that folks back in Guelph, the old home town, had lost a lot of money on so-called Cutten securities and that some of them figured Cutten was responsible. He long-distanced the home town paper to say that he had nothing to do with the crash, that his own holdings had suffered a heavy depreciation. He gave the old home town a million dollar hotel and golf course a few years ago.


SEYMOUR
MARCUS

IV

FRANK E. BLISS

Silver Fox of the Street

SUMMER was turning to autumn and a lot of trouble was in the air.

On the floor of the New York Stock Exchange men were becoming jumpy, a bit irritable.

They labored in the shadows of a terrifying mountain, these men, the incredible mountain of stock prices that had been piled up peak upon peak during five prodigious years of prosperity. Any day now that mountain might start sliding, an avalanche of ruin.

On this particular day there was even more nervousness than usual. There had been loud rumbles, preliminary warnings. The wise were stepping warily. But one smiling, youngish, silver-haired man seemed unconcerned.

Had your eye happened to pick him among the hundreds milling on the floor you would have decided that he, for one, had little at stake.

His smile was perpetual, his manner careless. In the middle of a circle of pushing brokers he had time to bow to a newcomer on the fringe, to joke with a neighbor at his elbow, to wave an amiable hand to a friend at the next trading post. At 2 P. M., an hour before the day's close, he quietly withdrew and went to the races.

But Frank E. Bliss, the "Silver Fox of Wall Street," had lived up to his name. He had disposed of some 300,000 shares of a certain stock, including 50,000 bought during the day. The bow, the joke, the wave of his hand had all been filled with meaning, signs to his lieutenants, other brokers commissioned for the day, to carry out prearranged movements.

While they, one by one, were stepping into the trading circle and selling, he was buying, a little now, more later, always just enough to keep the price bolstered up. Sometimes he had to buy the very stock his lieutenants were selling. Usually others bought it, for in assembling the line during earlier months, operating, of course, for a pool, Bliss had been just as adroit. He had kept the stock down until he had assembled the several hundred thousand shares the pool wished to carry and then, with a few well-placed kicks, had sent the price soaring. Other pools had gotten in on the rise. Thousands of small investors had plunged. The stock had become a speculative favorite.

Had word gotten around on the Stock Exchange floor that day that Bliss's pool was unloading, the news would have been flashed to hundreds of brokerage houses and a wave of selling would have hit the trading post immediately. But word didn't get around. By one in the afternoon Bliss had unloaded everything except the 50,000 shares he had had to buy during the day. During the next hour he unloaded that supply, too. In all, a cash speculative investment on margin of from $10,000,000 to $20,000,000 had passed through his hands in five hours, a total security value, at the average market price that day, of more than $60,000,000.

Many on the floor possibly closed trading that day confident that Bliss and his pool were still long on the stock. Even his own lieutenants may have thought that, for each, unaware of the complete strategy or who else was involved, knew only his own rôle in the drama.

All of which helps explain why large operators in the stock market turn to Bliss when they want hard jobs put over and why he is one of the most respected and feared men on the floor. Men who have watched him for years admit it is almost impossible to tell when he is accumulating stock and when he is unloading.

His floor operations are dazzling, confounding and incredibly large. He has bought and sold more stock than any other floor trader in history, and has handled larger blocks at a time.

Billions of dollars have flowed through his hands, fortunes affecting the basic industrial fabric of the land, and he has taken it all as a game, to be played with a smile like a hand of whist.

When he seems to be buying he is probably getting out. When he seems to be unloading he may actually be taking everything offered. And yet that isn't a safe rule for any one to go by. Men who have decided he was selling because he seemed to be buying, and who have gone short on that assumption, have more than once seen prices jump dizzily and have realized sadly they have been fooled by the old fox again.

Sometimes in wild months on the floor he had as many as a dozen other brokers working for him, with none of them sure just what was going on. A nod of the head, a subtle gesture with a finger, even a mere turning away, and they did what they were supposed to do, and no one but the man with the silver hair knew what it all meant.

It is quite as hard to find out whom Bliss is trading for at any given time. One day every one is sure he is working for a bull pool. The next day every one is just as sure he is working for a bear clique.

Bliss, himself, likes the mystery. It is good business. But it keeps him from going to the theater and appearing in public as much as possibly he would like to. He keeps away from public places because he might accidentally bump into one or another of the well-known market operators. He would have to stop for a chat, and if so, observers might conclude that the chance collision was proof of a "collusion."

Ever since 1915, when Joseph Manning recognized his peculiar abilities, his reputation has been growing as a pool broker. His first spectacular achievement was in American Sumatra Tobacco, in 1918. A pool employed him to take charge of the stock. He did. He took it when it was below 50 and shoved it to 145.

The day it reached 145 he was virtually out from under. He had made millions of dollars for his clients, but he had sold so much stock, with such startling speed, that they were in confusion. They held a hurried meeting and did some fancy figuring. They informed him in some agitation that he had sold so much stock they no longer held control of the company.

"What did you want me to do?" demanded Bliss. "You didn't want to stay married to it, did you?"

Within three days he had recovered control, buying back the needed stock far below the price at which he had sold.

Then he took Computing Tabulator, now International Business Machine, for Jesse L. Livermore, the so-called bear of bears, and what happened is proof that Livermore tells the truth when he says he has made some of his easiest money as a bull.

Livermore had Bliss take the stock around 40. He asked Bliss to see what he could do with it. Bliss did plenty. Buying and selling, never letting any one know his hand or who he was trading for, he marketed it around 80, and Livermore unloaded at more than $1,000,000 profit.

But Bliss, it is said, advised him not to, predicting that the stock would eventually become one of the best investments on the board and cheap at 125. His prediction proved more than true. As International Business Machine the stock rose in the great bull market that ended in October, 1929, to nearly 600 on a split-share basis.

It was Frank Bliss who handled the spectacular Piggly-Wiggly pool for Livermore in 1923. He did so well that time that, against his wishes, a corner developed and the stock was thrown off the board.

Livermore was commissioned by Clarence Saunders, president of the Piggly-Wiggly Company, to make a market for the stock. Saunders explained, it has been said, that he wanted the price of the stock advanced so the company could issue and sell 100,000 additional shares. Livermore turned the job over to Bliss.

Just what happened has never been fully clear, but, according to one version, Bliss did the job so expertly that Saunders saw the opportunity for a corner and decided not to issue the 100,000 additional shares.

Instead, he is said to have taken the operation out of the hands of Livermore and Bliss. The stock jumped 52 points in one day, and Saunders and his followers are said to have held all the outstanding floating supply.

Bliss and Livermore both realized what would happen after they had dropped the operation. Rules were abandoned, and the shorts were allowed to get out without being squeezed. Saunders lost his company and his fortune.

There is an interesting sidelight to this episode. Livermore ran the pool free of charge, Bliss has since confided to friends, wishing nothing out of it but to help Saunders out of difficulties. Bliss has also confided to friends that he advised Livermore from the start that the movement would be disastrous.

Bliss, as all of the foregoing shows, is a sort of battlefield marshal for generals who sit back behind the lines. Others supply the ammunition; he does the fighting. Without him and men like him the far-reaching plans of the illustrious would never get farther than paper.

The world hears of the Durants, the Livermores, the Cuttens, the Fishers. It hears little of the Blisses. So far as Bliss himself is concerned that is fine. His favorite motto, actually not figuratively, is "Keep your head below the trenches."

Much devolves on such a man. Fortunes rest in his hands daily. The future depends on his nimbleness. One slip, a moment's nap, and some one back behind the lines is apt to lose a fortune instead of making a new one.

Bliss is an outstanding example of a type. There are many like him on the floor of the New York Stock Exchange, all of them filled with their own stratagems, all of them sharp and wily and watchful. When they aren't trading for others they are circulating around the floor trading for themselves. W. C. Van Antwerp has described floor traders: "They entertain no illusions and they recognize no alliances. Each one follows his own inclinations and does not permit himself to be moved by tips or rumors or gossip or sentiment." A man who can put anything over in such a gathering deserves credit.

Thus far this book has dealt only with powerful market operators. But a major operation in today's market is a much more involved thing than is usually imagined. When a man or pool with enough money decides what stock to buy and when that is only the beginning. An operation passes through many hands. The operation in Computing Tabulator is a typical example.

A pool wanted the price of the stock advanced. The members commissioned Livermore to do the job giving him an option on a large block of the stock at 40. Livermore turned the job over to Bliss. In turn Bliss organized the campaign and scattered the work among half a dozen lesser brokers all under his floor direction.

The Computing Tabulator operation is also an example of the relation of such co-operative manipulation to industry. The company, of course, wanted the stock kept up. When Livermore retired from the campaign with some $1,000,000 in profits other members of the pool agreed to take over the movement. But they agreed to do it, according to stories in New York newspapers, only if the company were able to promise an $8 dividend instead of the $6 rate then in effect. As the Evening Mail explained it: "It was stated by parties in the pool agreement that Livermore had been a bull on this stock until his recent bearish turn on the whole market. At that point, the pool members said, he suffered an attack of cold feet and asked other members of the pool to relieve him of his contracts. They did so. But the other members insisted that if they were to put up the capital they would insist that stockholders, including themselves, be given a larger dividend."

When you see Bliss off the floor, in his office, Gilchrist, Bliss & Co., 120 Broadway, you have a hard time believing the stories that are told about him. Like so many other men in the stock market, he seems amazingly youthful. The years have touched him lightly. In his early fifties he looks like a man in his early thirties. His silver gray hair alone betrays how long he has been around. His face is unlined.

His blue eyes are calm, guileless. A bachelor, he grows orchids on his Westchester estate. Only the quick nervousness of his rather slight body betrays the dynamo within. That slight body has served him well. He can slip to the center of the tightest packed ring of traders. Once when he couldn't, it is said, he went under a larger broker's legs.

His daily execution of orders average around 100,000 shares, and during the strident days of the boom and the final crash he often handled several hundred thousand shares of a single issue in a day's trading. One day recently he sold 45,000 shares of one stock in three minutes, dumping it in three lots of 15,000 shares each, and no one knows to this day whether he was acting for one customer or three.

There are few large bull or bear cliques operating in the Street that have not used his services at one time or another. His fine hand can be traced in scores of pool movements that built up the greatest bull market in history.

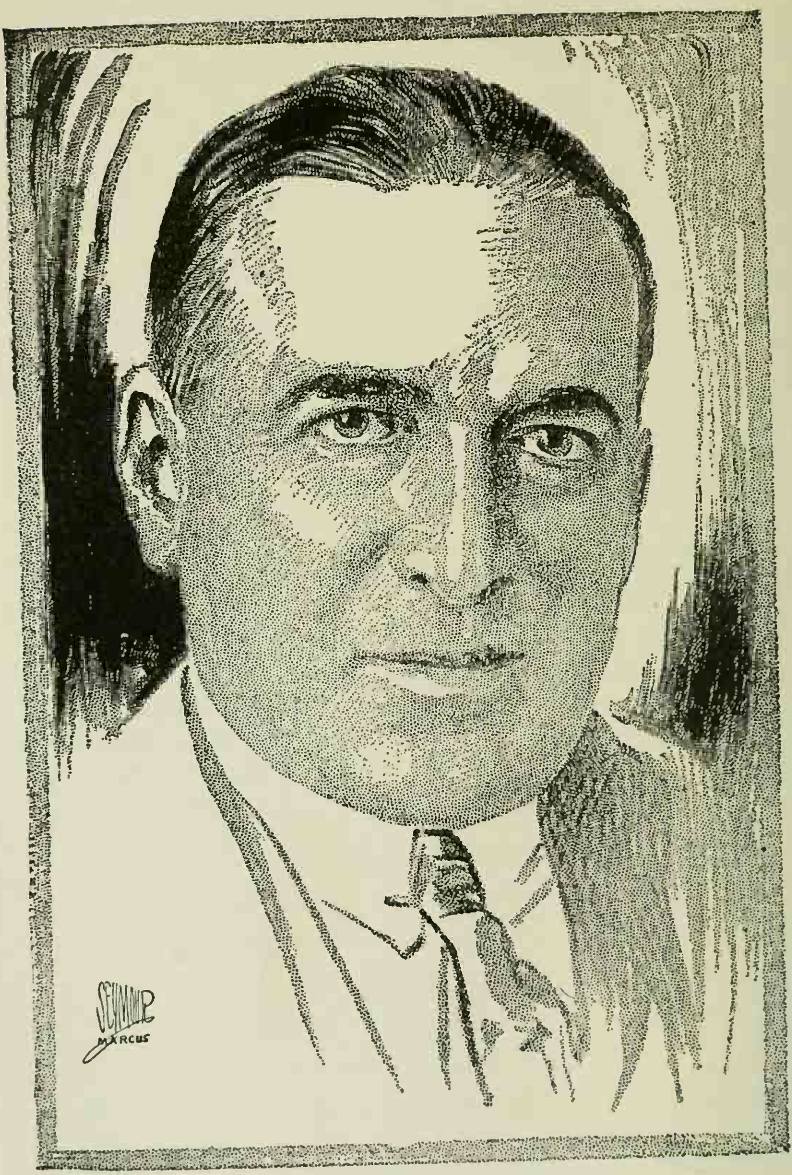
Durant and his prosperity consortium are said to have depended on him time and again. Individual operators, such as George Breen, Joseph Higgins and George Whelan, have depended on him constantly. And when the boom was over and the crash was under way Livermore is said to have used him in dragging new millions out of the wreckage. And, on the other hand, he has dealt many times for powerful interests whose names seldom, if ever, appear in print or who seldom figure in the market news.

Those who intrust their plans to his hands usually let him run things his own way. He seldom communicates with pool principals during trading hours but he has gotten out of bed more than once to attend a hastily called conference.

Several times during the unsettled days leading up to the crash in October, 1929, he got nearly simultaneous orders from one pool to sell a certain stock, from another pool to buy the same stock, a quandary that brokers for powerful groups often find themselves in. In such cases Bliss used his own judgment, gave both the same break and his judgment was never questioned. His judgment concerning floor strategy is seldom questioned.

Bliss has been in Wall Street for thirty-two years. He jumped into the game as a brokerage clerk during the panic of 1897. He has seen booms and panics ride through the nation with the regularity of a wildly swinging, uncontrollable but mathematically precise pendulum. And deflation has been as much a part of a game to him as inflation, another deal in a game that never loses its zest and interest.

He spent his first sixteen years in the Street as a clerk in various offices. He understudied the illustrious of the past, the elder Morgan, John W. Gates, Harriman, "Deacon" White. He learned well. He learned how to handle mountainous markets which would probably have dismayed those giants of the past and left them breathless. His partner, George Gilchrist, is a proper foil for such a man—phlegmatic, deliberate, steady moving. They plan their movements together, and the little silver-haired man executes them with the brilliancy of a Ney or a Grouchy.


SEYMOUR
MARCUS

V

BENJAMIN BLOCK

Broker to the Mighty

THE world for the mighty had become a troubled place.

Lesser men, as always, could continue to live in peace. But the heirs of the earth must pound their sanctums searching for omens, hoping for oracles.

The year 1929 was slipping away. The stock tickers were stuttering the finale of an era, the strangest decade America had ever survived. Inevitability was clamping down.

The buzz of a telephone might mean anything and two of the cradles on the squat, modern desk were buzzing virtually as one.

The big man in London's newest collar, pinned at the very tips of its short points, shifted forward. Heavy of jaw and body he shifted carelessly, easily, as if expecting nothing more exciting than an arrangement for tea. He listened quietly and spoke briefly, first in one mouthpiece then in the other. And for all that showed in his face it really might have been only a summons to biscuits and China tea.

Incident in the life of a broker. Just one of those things. On one telephone, according to the story, Jesse L. Livermore, the so-called bear of bears, had placed an order to sell thousands of shares short. On the other telephone William C. Durant, bull of bulls, had placed an order to buy thousands of shares long.

All in the day's work for Benjamin Block, commission man to the courageous.

It had happened before in this silvered, angled, modernistic office. It would happen again for here the mighty crossed orders as of old they would have crossed swords.

Livermore would lose some more money this day, Block, his friend and broker since 1906, had warned him he would. Block had warned him before and probably would warn him again, but one wild day Livermore would hit it right and win a new fortune, for Livermore, in Block's words, is "the gamest and cleverest trader alive."

Durant, winner for ten years, would win again today. Some day, at the turn of a month, he might lose, but if he lost he would lose handsomely, for Durant, in Block's words, is "as square a man as you'll ever know, and when his friends are losing he is losing more than any of them."

Block knows. He helped Livermore win millions in 1920. He helped Durant throw $90,000,000 away.

Livermore selling, Durant buying and the Coolidge market nearing a showdown. Something of a problem for a broker who must make up his own mind what to do and what to advise others to do.

Block solved the problem that day, as on other days, by reaching an independent conclusion. Time and again during the greatest bull market in history it is said that he advised his friend Livermore to stay long, and in vain. He himself didn't turn bearish until late in September.

Time and again in May, June and July when his friend Durant was liquidating a billion-dollar prosperity consortium, he himself remained long. He held on until September and advised others to do the same.

If anywhere in Wall Street you can find an open book in stock market psychology you'll find it in this man Block, who came to New York an unknown in 1912 and became broker for virtually every great trader in America.

He is frank, as frank with the great as with the small. On his desk stands an autographed photograph of Durant. It stands next door to a bronze desk tray ornamented with a grizzly, which is inscribed "To the Great Bear from Jesse Livermore," a memento of the postwar crash of 1920.

Other autographed photographs on the wall testify to the renown of his office. Lord Rothermere of England on one wall faces Charles M. Schwab of Bethlehem Steel on another. A list of the men whose orders come daily over the cluster of private telephones would be literally a Who's Who.

And Block tells any of them, when he thinks he's right, "You're throwing your money away." He has done it often.

And, more than many, he tells the public, too. In 1927, he turned bull on United States Steel. He assembled some 200,000 shares for himself and for associates at around 108. He announced the stock would go over 200. He handled more than 2,000,000 shares during the following year.

He began selling late in 1928 at 220 and up. He made little secret of it. The time had come to make a profit though, if you wanted his word for it. The market would hold up for months.

"I believe," he has said, "in shooting straight. When I say I'm buying I'm buying. When I say I'm selling I'm selling."

Benjamin Block is an excellent example of the dominant brokers of Wall Street, circa 1930. He is modern from the tips of his collar to the office he works in. He takes mountainous markets with the effortlessness of an Hispano sliding over the faint, invisible little hills of Park Avenue. He is an efficiency man turned broker, but one who confines efficiency entirely to methods not to manner. There is no crispness in his voice, no brittleness in his smile. Not even a 16,000,000-share day can disturb his urbanity. When that day did come, when he had to sit hour after hour as close to his little battery of telephones as any switchboard operator in a 6 P. M. rush, he took the first opportunity, the moment the day's trading was over, to swing back in his very newest cubistic swivel chair and adjust his very newest hand blocked foulard (although there are men in Wall Street would risk a thousand to ten that tie wasn't out of place a fraction) and resume attitude. He called his secretary, dictated a newspaper notice, not an office advertisement, just a paid notice in good black type that the worst was over, that the world could expect better days, that the time had come, temporarily at least, to buy. No hedging, no waiting to watch the vane. He was a broker, a modern one, and no matter what kind of markets they brought along he was supposed to know. It can be added that he did.

His inner office, so silvered and angled that it might have been done by a mannered Picasso or a dated Archipenko, is a revelation of what the once leisurely business of being a broker has come to in a machine age. On the wall in front of his desk is a translux, a machine that projects an illuminated ticker tape, but not three yards long as in the customers' room. He must read the tape rapidly. Two or three feet are enough. On the wall at the right is a private built-in quotation board operated mechanically from without. At his left elbow clack two stock tickers. At his back are two other tickers clacking wheat and corn out of Chicago. On one end of his desk rests a nest of telephones, the private lines of his biggest customers and other lines leading to the floor of the Stock Exchange, where two members of the firm, one his son, carry out his orders. All of this in addition to the large and elaborately equipped outer offices where regular business is carried on virtually without his aid. Thus Wall Street in the new era. And all of this mechanical perfection must be speeded up, changed, revolutionized. It collapsed, fell two to four hours behind, when the modern market really got going. Flesh and blood kept a jump ahead but the machines couldn't stand the strain.

Block seldom goes on the trading floor. He is needed too much in his little office with the silver walls and the backgammon decorations. If some of the largest operators in America couldn't unhook a telephone and hear him tell them their judgment was rotten the game wouldn't be complete. They don't always listen to him. But neither does he always listen to them.

As an example of Block's deplorable inability to be a yes-man a corporation president tells this little incident. The corporation president, not one of the leading operators on the market but large enough to have several private lines to brokerage houses, got disturbed when the stock of one of his subsidiaries continued weak after the 1929 crash. There wasn't any danger but the investors kept selling, and pride and vanity are involved in these things as well as economics.

One morning in December the stock of the subsidiary tumbled six or seven points and the corporation president could stand it no longer. He unhooked the telephone. The conversation, he avers, went something like this:

"What are they doing to my XYZ down there?"

"Oh," says Block, "there's a little selling going on."

"Well, let's put her up. Shove her up fifteen points by the close."

"What do you want to do that for?"

"Well, I'm tired of letting things run on like this."

"What's the use of throwing your money away? You can't stop them selling. Let it run its course. It'll turn in a few days."

"Well, let's put her up."

"All right, but you're just throwing money away."

A small incident, but typical, and indicative of how things go on behind the scenes. Much larger operations have been started quite as casually.

If Block couldn't be reached by telephone any hour of the day and his judgment duly obtained there would be nearly as much complaining in London as in New

York. He does a large overseas business, trading on the New York Stock Exchange for some of the largest operators in Great Britain, the business usually being carried on by trans-Atlantic radio telephone. He is so well known over there that the London newspapers print his photograph with cutlines reading, "Benjamin Block, The Great Broker."

Like Durant, but a number of months later, Block abandoned support of the market when he became convinced that the Federal Reserve Board would continue its efforts to curtail brokerage loans and security credit. He spent all of August, 1929, in England and on the Continent. The greatest financial storm in America's history was brewing, but he had a weather eye cocked and took it easy. It can be believed that he was something of a comfort to the London plungers who were growing dubious no end about all the peculiar things going on in those very peculiar States.

Then, quite off-handedly, the "great broker" returned to New York and began liquidating. There was going to be a bit of trouble in a few weeks. Time to clear decks. During September, 1929, he reduced the loans of his firm nearly eighty per cent. A Tom Gibbons reading a Dempsey telegram and side-stepping that kind of spontaneous dynamite couldn't have been more precise.

During the long bull market the firm had handled as many as 200,000 shares of a single stock in one day and frequently had done a 400,000-share business in all stocks.

The firm was one of the principal ones used by the Durant prosperity consortium which handled 11,000,000 shares in 1928. The firm handled more than 1,000,000 shares of General Motors in 1928, a stock in which Durant has always traded heavily and which was partly responsible for his comeback after his financial collapse in 1920.

It is usually considered something of a mystery how Durant managed to regain his fortune after losing control of the General Motors Corporation, but there is less mystery when you consider that he left that corporation, which he had founded, knowing more about it and its stock than any other man in the country. Some of his first movements at bulling that stock in 1922 and 1923 were handled by Block.

In addition to his powerful position in the stock market, Benjamin Block has been a major factor in the Chicago wheat pit for years. With orders wired from his New York office he helped push wheat from 80 cents to $3.25 a bushel in 1917 and 1918. He had publicly predicted the rise. In one day during that turbulent period he handled 25,000,000 bushels.

He also helped push wheat up in the bull market of 1924 and 1925, the market in which Arthur W. Cutten made from $10,000,000 to $15,000,000, and in which Jesse Livermore made millions both as a bull and a bear.

If the stories are true, Block and his firm handled orders from both Cutten and Livermore and was probably handling business for both on Friday, April 3, 1925, when Livermore is alleged to have sold short and precipitated a crash that cost Cutten several of his millions of profit.

Block started off with Finley Burrell & Co., of Chicago. He met Jesse Livermore there in 1906 when Livermore, working out of that Chicago office, was getting ready to make some $3,000,000 in the panic of 1907.

The friendship begun then was continued when Block came to New York in 1912 as resident manager of Finley Burrell. He is said to have handled much of Livermore's business in the black days of 1914 and 1915 when Livermore went bankrupt and later in 1920 when Livermore made millions out of the post-war deflation. Block, himself, refuses of course to name his customers.

He has said often, however, that he attributes his success largely to the fact that he built up his business in times of panic instead of times of prosperity.

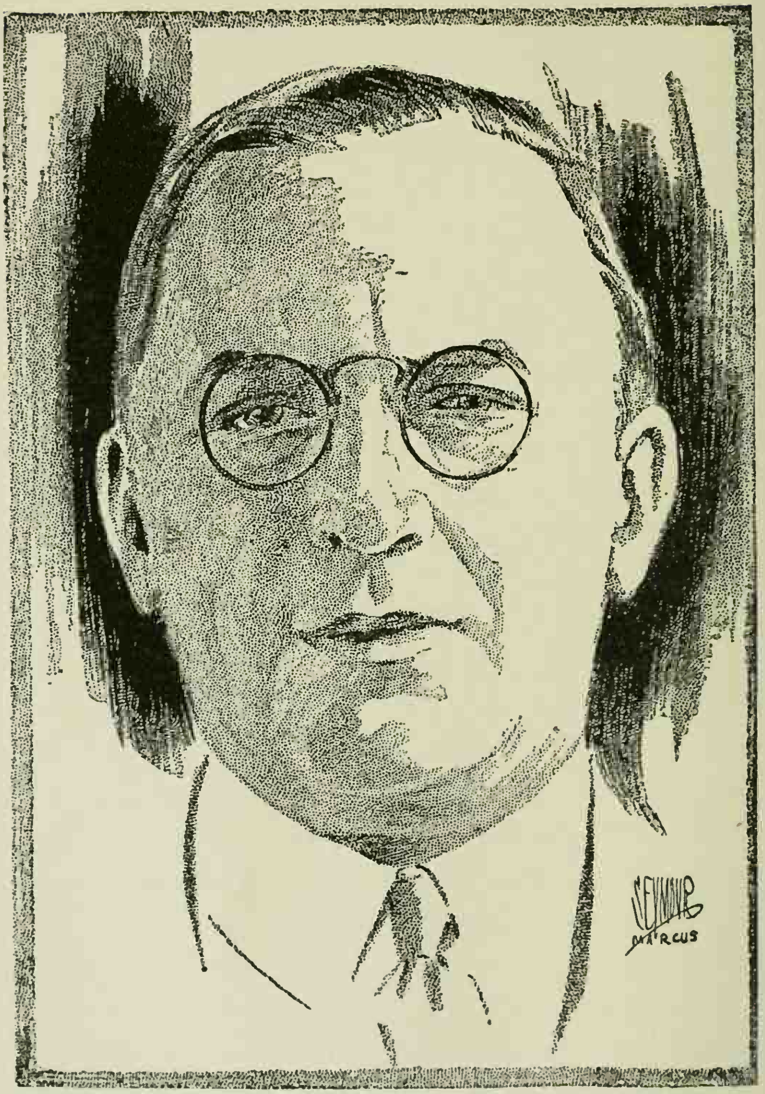
The World War and the resulting financial turmoil broke just two years after he had landed in New York and was busy trying to find customers. The customers he found in times of trouble stuck to him in times of prosperity. He found new customers in the deflation of 1920, when more established brokers were losing old ones by the wholesale.

Block is past fifty now, a tall, dominant figure of a man, deliberate and easy of voice and movement, but with power chisled massively in his face. His greatest pride is Morvich, the horse he bought on a hunch in 1921 for $7,500 and which won eleven great races in a row, including the Kentucky Derby of 1922, bringing in a total of around $150,000 in stakes.

Morvich was his first horse. He bought the colt on sight at Jamaica despite a foreleg limp. Morvich is on stud now at the famous stables of Miss Elizabeth Daingerfield in Lexington, Ky. Twice a year Block makes a pilgrimage there to spend a few hours with "the greatest horse in the world."

"Why," says he, "Morvich has sired forty or fifty colts since 1922 and there isn't one of them that hasn't won from one to ten races. Some day I'll have another Derby winner out of Morvich. That's a prediction, too."

He believes a poor company with a good management is better than a good company with poor management. He believes that few fortunes were made by shorts in the October crash, because most of them covered too quickly and turned bullish, expecting a reaction. He believes more money will be lost by bears in rising prices during 1930 and subsequently than was lost by bulls in the collapse of prices in October.


SEYMOUR
MARCUS

VI

MICHAEL J. MEEHAN

Red-headed Buckaroo of Radio

THINGS were anything but auspicious that day in 1920 when a young carrot-haired Irishman swaggered out for the first time on the floor of the New York Stock Exchange.

His arrival didn't throw Wall Street in an uproar. The Street was already that way. The welcome he got was hasty and unreassuring. His elders were busy with momentous events.

A nation was in the throes of postwar deflation. The General Motors Corporation was reeling and William C. Durant, its guiding genius, was throwing $90,000,000 to the winds. The Ford Motor Company, twin colossus of industry, was making ready to close its doors, while its founder searched frantically for $38,000,000 needed to meet obligations. Lesser corporations were going to the wall.

When this was over, the veterans said, it would be harder for a stock broker to find business than for an insurance agent to have sold Methuselah. A tough advent, all in all, for a 30-year-old Irishman.

As a matter of fact, Mike Meehan's chances of setting the Big Board on fire seemed even slimmer. He didn't wear a gardenia in his buttonhole, and his ankles could freeze before he would wrap them in spats. He liked his shirt collars soft and comfortable, and little he cared whether his tie were knotted just right or not.

Not that he didn't know his business, for in two years, starting from scratch in 1918, he had built up one of the biggest commission houses on the Curb and had accumulated enough capital to pay $90,000 for his Stock Exchange seat. But certainly everything the conventional, traditional big-time broker was supposed to be Michael J. Meehan wasn't.

What happened is one of the legends of Wall Street. In ten years he had garnered somewhere from $5,000,000 to $25,000,000, had pushed his way into the ranks of the stock market immortals and his firm had salted away eight Stock Exchange seats—some $2,400,000 worth of them, the largest number ever held by a commission house.

His name in the last two years has become near to a household word in America. He is the first man wide-eyed tourists visiting the Stock Exchange gallery ask attendants to point out. There probably isn't a person in the country who knows ABC about stocks who doesn't know the story of Meehan and Radio—how he, the newcomer, engineered that equally new, untried, non-dividend stock into more than a 500-point rise, including 61 points in four spectacular days.

Every one knows the story but few know how he did it or what his real part in the drama was. The customary version is that he headed a Radio pool. The "Meehan Radio pool" was on many lips in 1928.

It will surprise you then, to know that, according to Meehan's associates and close friends, there wasn't any Meehan pool—that, strictly speaking, there wasn't any pool at all.

There were at least half a dozen powerful groups that operated in Radio. You can have Meehan's word that he was a member of none. He was merely broker for all. Meehan, the Radio specialist, through whose hands a majority of the trades in Radio had to pass, found himself sitting at the focal point of a mass movement of millionaires, according to this version. He was pushed into immense wealth as a man is pushed into a subway train in a 5 P. M. rush, and with some of the same auxiliary results.

When it was all over he had to investigate himself to be sure he had any clothes on (his coat really was almost pulled off during one day of frenzied trading), and the strain and tension he had been put to had left him hollow under the eyes.

The brunt of the whole wild bull movement in Radio in 1928 fell on his shoulders and on those of his associates. There were days when he left the Stock Exchange floor as limp as the proverbial rag. When the crash finally came there were nights when the only sleep he got was a few hours of exhaustion on a lounge in his office.

Radio was listed on the Big Board in 1924, a fledgling in the stock market like Meehan himself. They got along together fine. Call it Irish luck if you want to that Meehan became specialist in this stock of the leading corporation in America's newest industry.

Vision would be a better word. There was certainly vision in the way he began pushing it immediately. He was Radio's first bull. He became more than a bull—almost a fanatic.

It was hard work bulling Radio in those first years of the bull market. It jumped from 25 to 66 the year it was listed, but after that it languished in the 40s and 50s until late in 1927.

Meehan exhorted every one to buy it, from elevator boys to bank presidents. His tip was free to the world. But few listened to him. One of his close friends bought at 47 and sold out at 58. Meehan almost threw a fit when he heard that—said that any one who didn't hold for a 300-point profit was crazy.

Suddenly Radio started moving. It jumped from 85 to 420 in 1928 and finally, in 1929, before the crash, reached a split-share value of 570.

It started moving because at least half a dozen powerful bull groups began to combine their millions behind it, including the Durant prosperity consortium, the Raskob-Du Pont-Kenny clique, the Cutten-Zimmerman group, the seven Fisher brothers of Detroit and, naturally, the General Electric-Westinghouse group, which held control of the Radio Corporation.

In the violent trading in 1928 and 1929 Meehan made as much as $10,000 and $15,000 a day in brokerage fees alone. And, naturally, he bought a few shares for himself. One of the first faithful believers in the Radio Corporation and its management, he had laid in a supply of stock for himself when it was below 40. Later, when the powerful bull groups had taken hold and it was certain his predictions would come true, he invested more cash. Probably he even added to his supply during that wild period in March, 1928, when a technical corner developed and Radio jumped 61 points in four days.

But Meehan doesn't want the world to consider him a stock speculator or a market operator. He isn't, he asserts emphatically. He is merely a broker who believed and still believes in the stock he has advised others to buy.

In the last two chapters various phases of Wall Street in operation have been indicated by the careers of two men in widely different sectors of the battlefront. In some ways Breen is like Bliss and Meehan is like both of them. Though he is a specialist, Meehan and his firm do a general commission business. The lines that divide one type of broker from another are indistinct. Fields overlap. In any full analysis all important brokers face the same problems. But, nevertheless, Mike Meehan's story is essentially the story of a stock specialist.

A specialist, as the word suggests, devotes his attention particularly to one or several stocks. He remains stationed at the post on the floor of the Exchange designated to be the trading post for those securities. He is a valuable aid to general commission brokers who have stop loss or price orders to execute. To execute such an order the commission broker would have to wait at the post until the price of the stock rose or fell to the level chosen by his customer had been reached. He might have to remain an indefinite time to execute a single order. If he went away to attend to orders in other stocks at other trading posts he might "miss the market." That is, the price might rise above or sag through the chosen level.

The specialist keeps a book on all such orders entrusted to him. Sometimes there are thousands of them piled up in his book, selling and buying orders, some at the same designated price, others varying from each other from a mere fraction of a point to five, ten and fifteen points. He must keep them all in mind and he must keep his mind on the market. If he fails to execute an order at the proper time he gets the blame. If the bidding is fast and furious as it so often was during the "greatest bull market" and the "most violent decline," he has a job hard enough for any man. In the middle of a packed little mob of fifty to a hundred men, sometimes several hundred, he must hear every bid and every asked price, must mentally register every sale, and must execute his own orders ahead of any one else if possible, for in a wild market prices hardly stand still.

For executing such orders the specialist collects a small commission. He also collects a vast amount of information as to what is going on in his special stock or stocks. He doesn't know everything. Much of the trading never passes through his hands. What does pass through his hands is anonymous. He doesn't know where it is coming from, who the commission brokers' customers are. But sometimes he can do some rather sharp guessing. Day in and day out, comparing what is going on around him with what his little book indicates, the latter containing information exclusively his own, the specialist comes to know as much about his special stock or stocks as any one is apt to know.

Sometimes there are complaints about such specialization. It is complained, for example, that a specialist can go gunning for a stop order; that is, with a large stop loss order waiting in his book, say at 100, he can sell short and beat the price down to that level, execute the order, which will drive the price still lower, then buy back the shares he went short on. That makes good gossip in the dollar-a-drink Wall Street speakeasies, but specialists work under very strict Stock Exchange regulations, which require, among other things, that customers' orders must get precedence and complete protection. Proven violation of the regulations would mean expulsion. Suspicion of violation would cause a specialist broker to lose business and prestige so quickly that expulsion would be unnecessary. He would resign merely from lack of anything to occupy his time.

Not because of fear of such manipulation but because of belief that specialists are apt to be too interested in where large orders are coming from, some brokers and operators make it a practice never to place orders in their hands. That such a feeling is limited is proven by the fact that of the 1,375 members of the New York Stock Exchange today, some 285 are specialists, stationed constantly at specific posts on the trading floor. And Mike Meehan, himself, is proof that the most powerful operators in the market don't feel that way. Almost all of them entrusted him with enormous business during the "greatest bull market," especially William C. Durant and his prosperity consortium. In fact, as has been said, it was their trading through his hands that shoved him, scrambling and exhausted, into fame and fortune.

It should be apparent by now just what kind of a maelstrom Meehan found himself the center of in 1928 and 1929. The trading in Radio sometimes ran 300,000 to 500,000 shares a day. Probably there was no other stock, unless it was General Motors, in which the bears and bulls pitched such a drawn battle. Thousands, apparently hundreds of thousands, of shares which didn't exist were bought and sold daily. Not all of that frenzied trading passed through Mike Meehan's hands, but it did pass over him, an Irishman trying to keep his head above a tidal wave. On his ability to keep swimming depended the success or failure of gigantic operations. When a technical corner developed in March, 1928, knowing more about Radio than any one else, holding the whiphand, Meehan became literally the dictator of the floor. Whether there actually were a "corner" no one was sure. If any one knew, it was he, the specialist, broker for the bulls. That was when his coat was almost torn off. An army of brokers stormed down upon him, frantically seeking information, frantically seeking his aid in throwing fortunes for better or worse into the turbination. Up to that time Mike Meehan had been just another broker. After that he was a giant. And he did keep his feet on the ground and his head up, then and during the big months that followed.

Several times he left the floor at the end of a day almost at the point of nervous exhaustion. One afternoon his associates, after waiting in vain for him to appear in his private office, found him slumped on the runners' bench down at the end of the corridor, the first seat he could find after leaving the elevator. "I'm going to be a runner," he grinned. "It's easier." But he never grew so exhausted he couldn't keep his book in order and couldn't manage to attend to his own business as well as to the business of others. At the end of one turbulent day it was reported in various brokerage houses that he had bought 200,000 shares of Radio, either for himself or for customers. The report was correct. But what the report didn't say was that at the end of the day he hadn't held a share. In six hours, always attending to his business as specialist, he had bought and unloaded 200,000 shares, with such skill that the Street still believed him to be long on the whole amount.

To say that Meehan was shoved into wealth by a mass movement of millionaires needs a lot of qualification. There is good reason to believe that there might never have been such a stampede if Meehan hadn't played piper. He was a bull on Radio long before the wholesale speculation in it began. A man doesn't become one of the favorite brokers of the largest operators in Wall Street by sitting still and waiting for business to come to him. The conclusion must be that he did a grand bit of engineering and arguing. Even the bears who lost millions on the swift boom in 1928, many of them members of the Stock Exchange, are quick to say that any money Meehan picked up for himself he deserved, as sincere a tribute as a man could want. Known simply as "Mike" throughout the financial district, to employes, to fellow brokers, customers and austere bankers over at the House of Morgan, Meehan is a pretty well-liked Irishman, a bit profane, a bit explosive, too confoundedly successful, but, as he, himself, would say, a "good guy." A newspaper man was trying a few months ago to get him to give out a statement as a financier rather than as a broker, and his answer was: "Aw, I couldn't do that. They'd say that guy, Mike, is stuck up."

There were rumors in Wall Street that he got caught in the crash. It can be stated authentically that he didn't. Neither, according to his friends, did any other Radio speculator who listened to his advice. He was advising caution as early as June, it is asserted, and he was advising it emphatically in September.

The rumors that he was in distress resulted in an amusing incident. At the end of one of the worst days in October, bedraggled from his strenuous labors on the floor, he walked into his offices at 61 Broadway and called Jack Higgins, the office manager.

"Jack," he said, "I understand I'm broke. Guess we'd better give all the boys in the office a two weeks' bonus to prove it."

Meehan made millions, and he managed to hold on to them. But success was to be shadowed peculiarly by tragedy. In October, just a few days after the worst of the crash, his friend, James J. Riordan, president and founder of the New York County Trust Company, committed suicide.

Rumors filled New York City that Riordan had killed himself because of heavy losses in Radio. A suspicion grew in some places that Riordan in some way had been victimized by Radio speculators and that Meehan, his friend for years, director in his bank, was responsible. The whole thing, added to months of work at high pitch, nearly caused Meehan a nervous breakdown. He had to spend several weeks at Pinehurst, N. C., resting and recuperating.

The tragedy is of more than passing importance for two reasons; first, because there was danger for awhile that the public, frightened by the stock crash, might make a run on Riordan's bank, which didn't happen, singular proof that the panic of 1929 was purely speculative in its effects; second, because Riordan, like Meehan, was a close friend of Alfred E. Smith, a member of Smith's "kitchen cabinet," a contributor to and organizer of Smith's presidential campaign in 1928. Like Smith, Riordan was son of a truckdriver and had worked unauspiciously as a youth around New York's markets. After his death Smith took charge of his bank, an institution that would inevitably have become nationally powerful had Smith gone to the White House.

It can be stated positively that the rumors following Riordan's death were unfounded. So far as Meehan knows, Riordan held no Radio stock for months before his death. According to Meehan's associates, Riordan couldn't have lost any money in Radio through Meehan's advice, for Meehan had been advising caution for months. According to Riordan's friends, Riordan made money in Radio instead of losing it. As a matter of fact, men close to Riordan assert he was only a dabbler in the stock market and that money losses were not the cause of his suicide.

Those who know Meehan best aver that generosity and an anxiousness to share his good fortune with friends, associates and employees is his outstanding characteristic.

Last year, though he tries to avoid discussing it, he gave every employe a 100 per cent bonus for Christmas, a full year's salary, in addition to thirteen weeks' bonus during the year for overtime. It cost him around $600,000. Starting off with two employes in 1920, he has 400 now. He has nine branch offices, and, amusingly, has to have a clerk look in the books to be sure about the number.

In addition he has three offices on Atlantic liners, on the Bremen, Berengaria and Leviathan. He was one of the first to try the ocean brokerage service, since taken up by a number of brokers, and is proud of the time a passenger was notified of the completion of a trade in four minutes from the time he had radioed his order.

As soon as he started making money he started buying additional seats on the Stock Exchange and distributing them among his associates in the firm. He has bought seven to date, in addition to his own, and intends to buy more. He allows his associates to take over the seats out of yearly earnings.

It's an Irish firm, including such names as Esmonde O'Brien, John Moylan, Richard O'Brien, J. P. McKenna. And the whole clan of them was needed on the floor of the Exchange when things started popping in 1928. It required a squad of them just to keep the book on Radio during the heaviest of the trading, and in addition to Radio, Meehan is specialist in National Cash Register, International Match, Cuba Company, Lehn and Fink, and Utilities Power and Light, all of which were active through the boom days.

Meehan's favorite slogan is, "There aren't any pockets in shrouds," meaning by that, as he explains, "You've got to give it away when you die. You might as well give it away while you're alive."

When he comes off the floor, there is always a thermos bottle of hot coffee sitting on his desk. He slumps into his leather chair and has a cup or two. Then, back to work. For being a specialist is much like being a traffic policeman and a certified accountant at the same time. You stand on your feet for six hours routing speculative traffic; then you go into a huddle with a lot of scribbled figures and try to get the records straightened out.

He is desperately superstitious of green. He wouldn't wear a green tie or a green suit on the floor on a bet. He tried it once for four days, supposedly at the instigation of his brother, James, partner of the firm. He had lost so much money by the end of that period that he gave the tie away and swore off forever. He explains, a bit sheepishly, "The map of Ireland's all over my face. What do I need with a green tie?"

His offices are luxurious. In the inner sanctum are bookcases filled with tomes in full calf, "Works of Shakespeare" and "Life of Columbus." He lives at the Sherry-Netherland and has just bought a fourteen-room co-operative apartment on Fifth Avenue.

But he is the same Mike Meehan who used to sell theater tickets to the Wall Street mighty at 71 Broadway, ten numbers down the street. He confesses that he likes best to read detective stories and that he can't be bothered with his town car when he wants to get home, the subway being faster.

He attributes his rise, frankly enough, to the connections he made when he was manager of McBride's downtown ticket agency. More than one banker and broker who took his advice then on what was a good show to see took his advice in 1928 on what was a good stock to buy.

He got tips from the mighty in the old days in exchange for good seats, and made enough money to branch out as a Curb broker, when the Curb was still in the open air. He made $18 his first month on the Curb, and went back selling tickets at night to make ends meet.

Among his customers when he was selling theater tickets were various partners of J. P. Morgan & Co. One of them, it is said, was the first to encourage him to branch out as a Curb broker. Lesser friends told him, however, to think twice before he gave up a good $5,000-a-year job. His rise on the Curb market, which moved indoors soon after he bought his seat, was just as rapid, once he got going, as his later rise on the New York Stock Exchange. Within two years he had fifty private wires leading from his Curb offices to banking and other brokerage houses.

Rich now he gives thousands to charity that no one ever hears about. One of the few times this proclivity became known was in 1929, when he voluntarily pledged $50,000 to a Brooklyn Catholic hospital where his wife had undergone an operation.

Later, which did not become generally known, the priest in charge of the hospital, hearing the rumors that Meehan had been caught in the crash, called at his offices to release him from the pledge. Meehan grinned and made out a check.

But stories like that could be piled up until there wouldn't be room for anything else, and it is still necessary to explain the technical reasons for Radio's sensational rise.

The chief reason is that the bulk of the 1,155,400 shares of the Radio Corporation of America were held by the General Electric, Westinghouse and other corporations and were never released for trading. The floating supply, the part that could be traded in, totalled around 400,000 shares or less, rather a large amount compared with the floating supplies of some other stocks, but small in relation to the amount of buying done by the powerful groups which began operating in it in 1927.

Some of these corporations, including the United Fruit Company, released stock. The Westinghouse corporation is reported to have sold some of its holdings on the rising market.

But for the most part the bulk of the stock was held as a permanent investment. Many individuals, like John

J. Raskob, held large blocks as permanent investments.

So when the powerful bull groups began quietly assembling lines of the stock in 1926 and 1927 there soon wasn't much of a supply left. The stock started rising. As it rose an enormous short interest developed.

When it got up around 200 the bears were certain a reaction would come. How many thousands of shares they sold short there is no way of telling, but there is some indication in the heaviness of buying on the long side.

Arthur W. Cutten is reported to have assembled some 100,000 shares back in 1927, and possibly more, and the prosperity consortium headed by William C. Durant bought even more heavily.

Even allowing for exaggeration, it is clear that with such heavy buying there wasn't enough stock to go around. Somewhere in the rise the bulls were buying stock sold short by the bears.

It is impossible on any other basis to explain 300,000 and 500,000-share days in a stock of which there were only 400,000 shares available for trading. The same thing happened in other stocks, of course.

In February, 1927, in an interview in Forbes Magazine, William C. Durant said: "In two or three stocks at least, a very large part of the entire shares outstanding has been borrowed by the shorts. How can they expect to get themselves out of the hole they have dug for themselves?

"The short interest in the market today is enormous. I don't know that it ever was larger. All classes have apparently thought it thoroughly safe to sell shares they do not own. Big operators—lots of them—have gone short many thousands of shares; smaller operators have been relatively just as daring, and Wall Street brokers say that apparently people who never dared to sell a single share short—who probably didn't know before what short selling really was—are now going short 100 or 200 shares."

Probably at no time during the bull market was there more short selling than in Radio in 1928. One broker estimates that at least 200,000 to 300,000 shares were sold short throughout one period. That precipitated the technical corner and drove the stock up 61 points in four days. A technical corner is established when one group controls all, or virtually all, of the floating supply of a stock. Actual corners are forbidden by the New York Stock Exchange, which is operated only for stocks in which a free market exists. When an actual corner develops, as when Allan A. Ryan cornered Stutz Motor and Clarence Saunders cornered Piggly-Wiggly several years ago, the stock is thrown off the Big Board and rules are nullified to allow the shorts to cover at a nominal price, which usually means ruin for the men who have manipulated the rise. It did for both Ryan and Saunders.

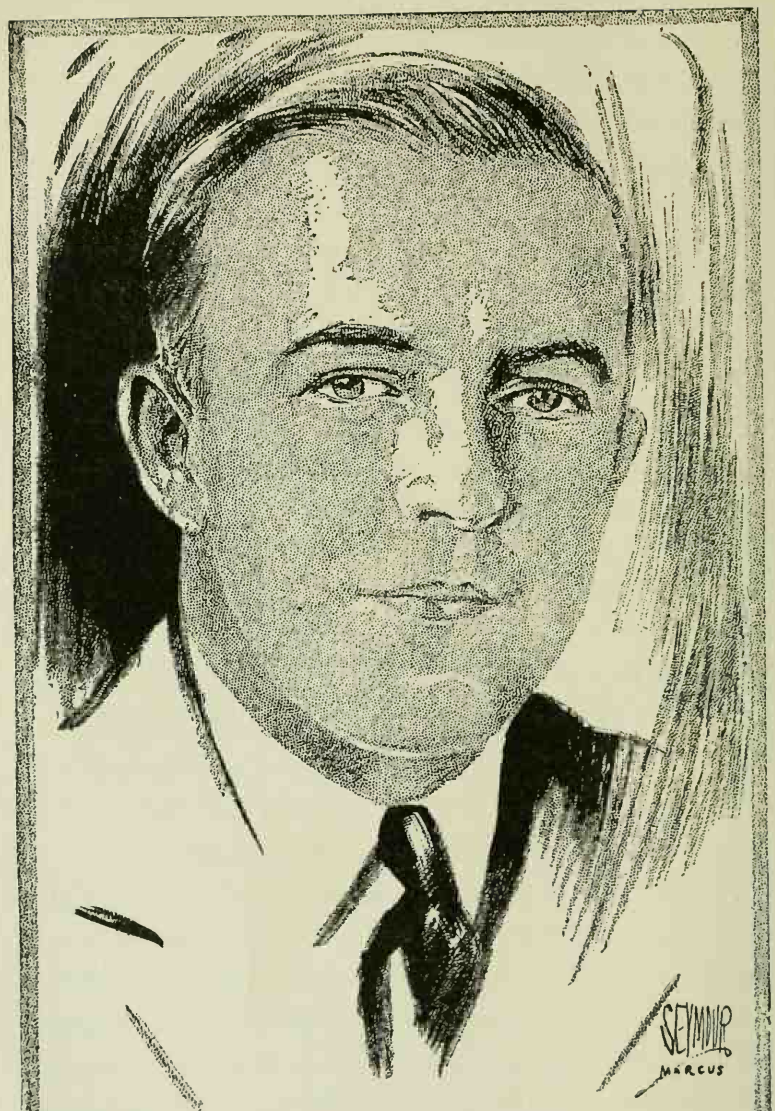
In the case of Radio there was little stock available in March, 1928, but the corner was technical because there were hundreds of thousands of shares which the operating groups did not control. Had General Electric or other large holders dumped their stock the "corner" in Radio would have collapsed. A technical corner developed in Ludlum Steel a few years ago, for example, and suddenly as the price soared the officers of the company dumped a major part of their personal holdings. For a few days the corporation was completely out of their hands. They didn't own enough Ludlum to hold a directors' meeting. But when the price had reached bottom they bought back at handsome profits.

For some reason those in control of the Radio Corporation didn't choose to do that, perhaps, though this is entirely a guess, because control of that corporation is too valuable a prize for any one to take chances with it. Powerful men were in the market seeking permanent investment for gigantic fortunes, the seven Fisher brothers and Arthur W. Cutten, for example. If control of the Radio Corporation were relinquished it might be gobbled up.

Throughout the rise in Radio in 1928, shorts grew frightened and hurried to cover, and that drove the stock still higher. If a bear sold short at 200, he had to cover, say, at 225, and his buying order helped push the stock on up to 250. Radio became a huge, top-heavy, speculative arch, with the bulls forming one pier and the bears the other, and Mike Meehan sitting on the keystone.

That kind of thing kept going on month after month, with the arch reaching higher and higher, until finally, when the whole thing was becoming rather preposterous the bulls got out from under, and some of the individuals and corporations holding stock for permanent investment possibly released some of their hoarded supply. If so, the stock they sold they were able to buy back a few weeks later some $300 cheaper per share.

The keystone and the arch came down with a roar, but long before that Mike Meehan had jumped clear. He didn't get caught in the wreckage, but he did get caught in the stampede of those who were. And when the panic was over he was almost as weak on his legs as the broker who long ago accidentally introduced the profession of specialist. For the profession of specialist, so Stock Exchange legend has it, began with a broken leg. The leg belonged to a commission broker. Unable temporarily to continue his active trading on the floor he took a seat in the middle of a group trading in Western Union, announcing he would execute orders only in it. To his surprise he discovered the new occupation more profitable than his usual one. The leg knitted and became strong again, but he remained a specialist. Other brokers, knowing a good thing when they saw one, became specialists, too. The tribe waxed and prospered. They did, indeed, prosper. And thus you get back to Mike Meehan again. It's hard to keep away from him in Wall Street today.


SEYMOUR
MARCUS

VII

JOSEPH E. HIGGINS

Triple Threat Captain of the Guard

THE young manager of the Boston Store in Kansas City wondered why any one should want an option on his twenty shares of steel, or lead, or tin or whatever it was he held.

Mrs. Jones, owner of thirty-five shares, was equally puzzled in Philadelphia. She wasn't sure, even with half a dozen explanations, just what an option was.

Mr. Brown, of Buffalo, and Miss Smith, of St. Louis, and even the hardest working Elk in Indianapolis were quite as mystified. But all of them felt subtly flattered that one of those Wall Street men should have heard way off in New York about their stock investments.

Really, it was quite amazing. How did those Wall Street fellows get on to things? It was beyond Mr. Brown, of Buffalo. Why, he hadn't even told his wife about that stock in the safety deposit box, for the reason that she always said a man might as well throw his money away as to go fooling around with the stock market.

And the price offered was good, much above the market quotation. So Mrs. Jones and Mr. Brown and Miss Smith, all, and rather importantly, signed options to sell on demand.

And, if the stories are true, the next thing Wall Street knew Joseph E. Higgins was running another pool, while more than one broker and operator wondered where he had gotten the stock to do it. Or perhaps, according to another version, the wonderment came after some one else had started running a pool and had bought up all the floating supply in sight, only to wake up one day and find that Higgins was unloading 40,000 or 50,000 shares that had been left out of the figuring.

Higgins, the Curb broker, is a triple-threat man of Wall Street, runner of pools for the mighty and for himself, locator and distributor of stocks, independent plunger. You'll hear his name wherever you dig, and find the mark of his heels, but you'll learn little about him.

William C. Durant uses him. Arthur W. Cutten uses him. They all use him—J. P. Morgan, the seven Fisher brothers, and men with names you wouldn't even recognize. And he uses himself. He is so good at using himself that he has jumped from a huckster of stocks along Wall Street's gutters to a multimillionaire in a little more than twenty years.

A pool and distribution specialist, he is one of the largest individual operators in Wall Street. He carried millions of dollars of stock on his own account during the "greatest bull market." At times he was running pools, by commission, in ten or fifteen stocks at once, and on his own account he often bought and sold 150,000 shares a day. When the crash came men close to him estimated his losses ran to more than $14,000,000, which, whether correct or not, is an indication of the size of his operations. If he did take such a loss it was largely on paper and undoubtedly small in comparison with his profits during the long inflation.

Higgins is a sort of composite of Jesse L. Livermore though not so seasoned and spectacular, and of George Breen, the doctor of sick markets, whose story will be told in a later chapter, though not so professionally intrenched as Breen. Like Breen he is in demand among bankers and pools to bolster up prices and unload stocks in an ailing market. Like Livermore he is in demand among corporations and groups to run pools and bull prices in general, meantime always operating in addition as an independent speculator. The chief difference between him and Livermore is that he is of today while Livermore is of yesterday. He plays with the powerful groups that control today's market and has risen to power since 1920 largely because of such ability. Livermore doesn't. Livermore was in power before the groups took control. When they did take control, always a lone wolf unless a member of a pack by agreement, Livermore pitted his wits against theirs and almost went down. Inherently more bullish than Livermore, for he would have to be to get along with the powerful groups in control, Higgins has never, so far as known, helped push prices up and up and then turned bear and officiated at the funeral. But that isn't saying that he hasn't. Plenty happens in Wall Street that no one ever knows about.

Thus far this book has been devoted to powerful operators and the brokers who take charge of the battlefield for them. Higgins is a new type, a bit hard to define. He is a lieutenant to the mighty, a captain of the guard. With the modern market grown too unwieldy for one man to control, or even one group, unless a large one, a combination of groups, the professional lieutenant has become constantly more necessary. There are a number of them with Higgins and Breen outstanding. The system works out something like this: several diverse groups, which in the old days would have operated alone, merge and form a consortium with a Durant in general command; Durant, or some of the members of the consortium, who continue to speculate in smaller groups and as individuals, turn over part of the battlefront to a Higgins; Higgins, who is meantime operating with still smaller groups and on his own, commissions a Bliss to do floor service; Bliss, who holds similar commissions in different stocks from other divisions of the bull army, divides his floor fight among a dozen different brokers. And prices go up. It would be strange if they didn't.

After it is all over, after prices have gone so far up they have to come down, Higgins comes into demand as a distributor of any stocks the pools or banks got caught with in the crash. Distribution is Wall Street's euphemism for unloading. When a pool sells to the public stocks it no longer wishes to keep it is distributing, though pool isn't the proper word to use. Wall Street calls a pool a syndicate. Of course Higgins is engaged in the gentle art of distributing at all times, during a boom as much as after it.

As a distributor he is original. Distribution usually means marketing stocks to the public for the bankers and syndicates. But Higgins, as the story of Mr. Brown and Miss Smith indicates, is claimed to be just as good at distributing stocks from the public to the syndicates. He has done it a number of times, according to Wall Street. A patient man, he collects options on small blocks of stocks for months and then waits more months until conditions are right for him to cash in for himself and for the small owners.

He still keeps his seat on the Curb Exchange. He has never cared to buy a seat on the Stock Exchange, though his main activities are on the Big Board.

Once every week or so he appears on the Curb floor, more as a matter of sentiment than anything else, though he is not adverse to walking in and taking floor charge of a Curb campaign.

He did that several times in Industrial Rayon. In association with Durant and others he pushed Industrial Rayon from around 50 to around 140 during the final stages of the great bull market that ended in October, 1929.

In his Big Board operations he often uses a dozen brokers, including Eric & Drevers, 115 Broadway, where he has a modest private office. It is an unusual office.

No battery of telephones encircles him. No clerks bustle about his desk. No squad of statisticians march in in rotation to furnish him with information. He does his work quietly, almost negligently, and his finger is in every pie.

He always works in close association with Bradford Ellsworth, another lieutenant-operator, who also has an office with Eric & Drevers. Ellsworth, according to stories told in Wall Street, was comparatively flat a few years ago but garnered more than $20,000,000 during the "greatest bull market."

Both Higgins and Ellsworth made fortunes in Radio. Long a friend of Mike Meehan, the Radio specialist, Higgins played a big part in shoving Radio up more than 400 points in 1928.

Whenever Meehan is out of the city, as when he spent several weeks in Pinehurst, N. C., resting from the strain of the boom and crash, Higgins takes care of the market for him; that is, watches and supports any stocks Meehan is in.

Like Meehan, Higgins is close to Alfred E. Smith, William F. Kenny and John J. Raskob. He often plays golf with Smith and Kenny. He was also close to the late James J. Riordan, president of the New York County Trust Co., who committed suicide in October.

Higgins started off some twenty years ago as a clerk for William Gallagher, a Curb broker. Then he went to work for Oscar Bamberger. He became a member of the Curb about 1912. At one time he was in partnership with George Breen, who also rose from the Curb to immense power over the Big Board. Both of them, Breen and Higgins, bartered stocks in the dusts of the street before the Curb moved indoors.

His first big shot on the Curb was in Houston Oil back in 1915. It sold for 24 in 1915 and for 108 before the split in 1926. He figured largely in the Big Board rise of General Gas and United Light and Power, running pools in both for a large utilities brokerage and banking house.

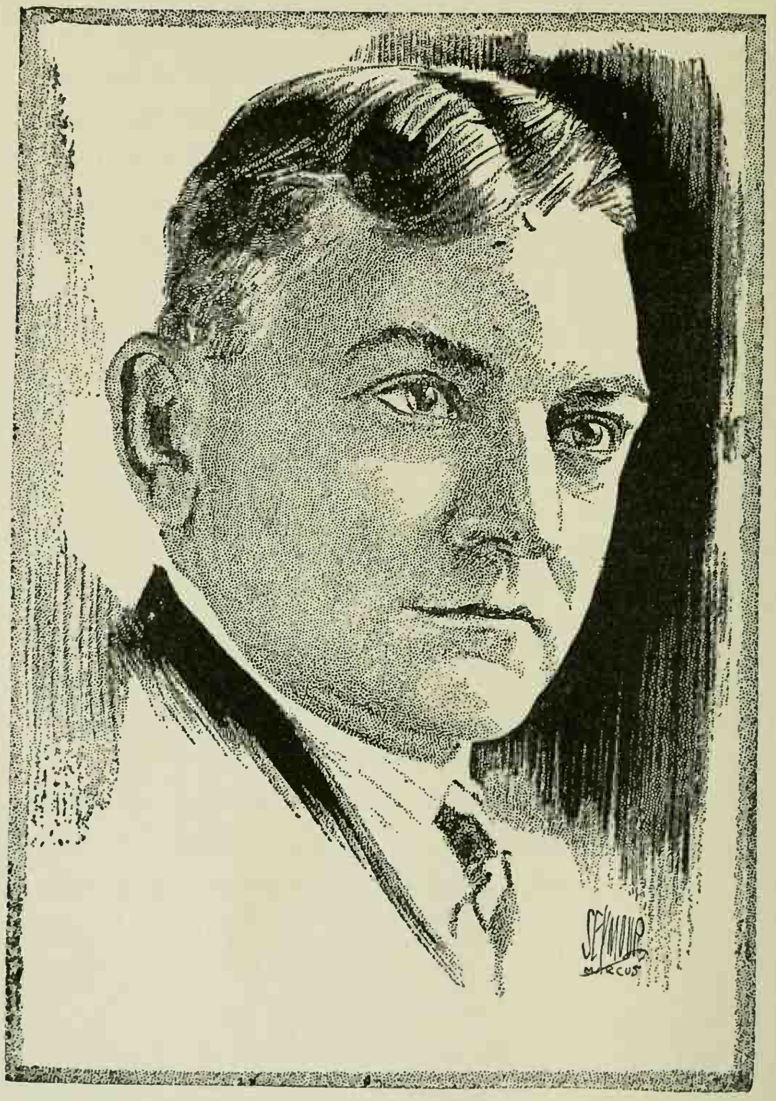
He made millions, it is claimed, out of Wright Aero, and made more millions out of aviation by buying control of several smaller aviation companies and combining them.

He makes it a practice, according to his friends, to continue supporting a stock for months after he and his associates have ceased operating in it and have unloaded. That seems a bit unbelievable but men swear it is true. He feels, they assert, he owes it to small investors who have gotten in on the rise.

He is 41 now, medium in height and a bit stout. He lives in winter at the Sherry-Netherland and in summer at Rye. He is a member, of course, of the Westchester Country Club, which his friend, George Breen, did so much to found. In association with Kenny, Smith and others, he founded a country club himself, the Miami-Biltmore deal of 1928. Like Kenny, Smith and Meehan, he is a Catholic.

His one boast is his children and his horses. He goes in for both. Several years ago one of his children saw a pony he liked. He wanted it badly. So Higgins bought new horses for all the youngsters, though there were already plenty of horses in the stables at Rye.

Like so many others of the Wall Street mighty, he insures himself and his family against the vagaries of fortune by means of an irrevocable trust. A definite percentage of the profits from every coup he turns over to Mrs. Higgins, according to his friends, and that is money that never finds its way back to Wall Street.


SEYMOUR MARCUS

FRED J. FISHER

VIII

THE FISHER BROTHERS

A Financial Empire Within one Family

FOR three years or more stories had been filtering through Wall Street about the seven Fisher brothers of Detroit.

No one knew much about them except that they were former blacksmiths and they were worth from $200,000,000 to $300,000,000, the profits from selling their Fisher Body Corporation to the General Motors Corporation in 1923.

Seven blacksmiths with $300,000,000, and here was a group of Wall Street operators all loaded up in New York with Baldwin Locomotive. It just didn't seem right.

And so, some time in 1926, when he had come to New York to attend a General Motors board meeting, Fred J. Fisher, chief of the Fisher clan, is alleged to have received a hot tip. He got it direct, so the story goes, from a member of the aforementioned group of shrewd operators. The tip was to buy Baldwin Locomotive.

The stock market was new to Fred Fisher and his six brothers. They had left it pretty much alone up to then.

But they had more money than they knew what to do with and the tip sounded good. Baldwin Locomotive looked as good to them as anything else.

They started buying—their first flier. But the stock didn't move up as expected. Not so good! They bought some more. Still it didn't move. It even sagged a bit. That seemed a bit peculiar no matter how they looked at it and they retired for a family consultation. They discovered, so the story goes, that they had been buying Baldwin Locomotive from the very men who had given them the tip.

They even discovered, it is said, that the operators, having unloaded their supply, had gotten so much in the habit of selling Baldwin that they had sold it short thousands of shares.

At this stage of the game it developed that the Fishers weren't going to play according to the rules. Instead of becoming skittish and unloading, thus knocking the bottom out and allowing the shorts to cover at millions of dollars' profit, they suddenly started buying more heavily than ever.

The stock started going up. Not so bad! So they bought some more. And the stock went higher. The more they bought the higher it went, and Wall Street was thrown into a furore. Others started buying, too. Arthur W. Cutten, the Chicago grain speculator, for example, who was almost as much of a financial hick in Wall Street as Fred Fisher.

Baldwin Locomotive jumped from 92 in 1926 to 233 in June, 1927. And then something happened. On June 30, 1927, under a wave of selling, the stock broke fifteen points.

It was a most peculiar situation. In Philadelphia Samuel M. Vauclain, 71-year-old president of the Baldwin company, was announcing publicly that his plants were running at only 20 per cent capacity, and rumors were going around that he had announced almost as publicly that the stock wasn't worth 130. But the Fisher brothers remained calm. They had bought their stock outright and could afford to.

While lesser speculators were having sleepless nights and wondering where they could borrow money to protect their margins the Fishers quietly dispatched a squad of engineers to Philadelphia.

The engineers discovered interesting things. They discovered that the Baldwin company owned a piece of land in Philadelphia, which the engineers asserted was worth $30,000,000, but which was carried on the company's books at only $17,330,000. The engineers thereupon estimated that the stock was worth $350 a share.

The Fishers started buying again. The public started buying, too. So did Cutten. The stock recovered and advanced to a new peak of 265 for the year. Some of those who had sold short are said to have lost millions. Some of them remained short for almost a year. It was even suspected at one period that the Fishers held a corner in the stock. By the end of the year they had forced their way to two places on the board, having acquired more than half of the common stock and a sizable block of the preferred, which also carried voting power.

Cutten, with from 15,000 to 35,000 shares and a paper profit of millions, also got a place on the board, but, what was more important, he achieved a closer affiliation with the Fishers which was to be of untold value to him in the great bull market that was already in full progress.

That was Wall Street's introduction to the Fisher brothers of Detroit. It was an introduction fraught with consequences. The Fishers had come to stay.

They came with one of the greatest fortunes in the world, a fortune estimated by some at more than $500,000,000, and they came to invest it. Their eagerness to place it where it would earn more money was one of the outstanding reasons for that long, steady rise in the prices of stocks that began in 1926 and ended in October, 1929. Their influence in the "greatest bull market in history" is incalculable. Wherever their hands touched prices rose, for they bought what they wanted and paid what they had to, and the public followed their lead, believing that where these men walked prosperity would sprout and bloom.

They started buying Texas Corporation at around 50. They bought enough to land William A Fisher, third eldest, on the board. The stock rose to 74. They bought

Richfield Oil at around 25, and it went to 56.

They started buying International Telephone and Telegraph at around 150 and it went to 445 on a split share basis and Fred Fisher took his place on the board of the Postal Telegraph and Cable Company, the chief subsidiary. As in the case of other stocks, the rise in International Telephone and Telegraph can not be attributed entirely to buying by the Fishers, but their operations unquestionably played an important part in pushing the price up. And the other men sitting on the Postal board indicate what powerful groups the Fishers have become affiliated with. The board includes Sidney Z. Mitchell, chairman of the board of the American and Foreign Power Company and president of the Electric Bond and Share Company; John D. Ryan, chairman of the board of the Anaconda Copper Mining Company; Charles E. Mitchell, president of the National City Bank of New York; Sosthenes Behn, president of the International Telephone and Telegraph Company and a director in American and Foreign Power; Russell C. Leffingwell, of J. P. Morgan & Co. Affiliation of the Fishers with the House of Morgan began, of course, in General Motors, which became a Morgan company when William C. Durant lost control in 1920.

The Fishers bought their way into the New York Central by way of the Cleveland, Cincinnati, Chicago and St. Louis, commonly known as the Big Four, chief subsidiary. Fred Fisher was elected to the latter board, September, 12, 1928, succeeding Chauncey M. Depew. There is a story that they offered to buy their way in more directly and were rebuffed by the Vanderbilts. Frederick W., William K. and Harold S. Vanderbilt, with something of the fire of old Commodore Corneel who had built it, didn't want these new men from the West buying into the rail barony their tribe had dominated for generations, it is claimed, any more than the aging Vauclain wanted them buying into his company. If the story is true, it proves how greatly times have changed.

There was no spectacular battle as might have followed such an alleged challenge in the days of earlier giants. There was no world-shaking conflict as when J. P. Morgan, the elder, disputed with E. H. Harriman in 1901 for ownership of stock in the Northern Pacific, driving $100 shares up to $1,000, or that more humorous set-to in 1868 when old Cornelius Vanderbilt, himself, tried to buy some stock in the little Erie railroad and found himself loaded up with 100,000 trick shares thrown at him, still wet from the printing presses, by Uncle Daniel Drew, Jay Gould and Jubilee Jim Fisk. The Fishers merely went into the open market and bought what they wanted, paying what they had to. In the steady advance of stock prices their flanking movement went virtually unnoticed. New York

Central, however, rose from 137 in 1927 to 256 in September, 1929.

The aggressive march of the Fisher brothers into industries foreign to automobiles has caused consternation in several quarters, and has resulted in rumors bordering on the fantastic. In a day when, owing to wide distribution among millions of small investors, ownership of twenty and thirty per cent of the stock of a corporation sometimes gives effective domination, the march of the Fishers has been a real danger to some controlling groups. It has been claimed in Washington in recent years, during the investigation of the power industry, that even ten and fifteen per cent of the stock of a corporation can give nominal control. Wide distribution among small investors, a prevailing policy since the World War, works two ways. It allows dominating groups to control with less outlay of capital, but it also allows new groups seeking control to buy more easily than ever before in the open market. And it must be remembered that American industry tends every year to become a more tightly drawn web of cross directorates.

Industrial kings no longer play in their own back yards. Competition in a mass-production age has become too great. They must not only control their own industries, but they must have a deciding voice in every other industry that uses products they offer or supplies them with products they need. The Postal Telegraph and Cable board is an illuminating example of this. The Postal company, of course, uses immense quantities of copper in transmission wires and general equipment. So, the chairman of the board of Anaconda sits in at the long table. The International Telephone and Telegraph Corporation, which controls Postal, is particularly strong in South America whence much of its future business will come. The American and Foreign Power Company also has South America as its operating field. So, the chairman of its board sits on the Postal board, and the president of International Telephone and Telegraph sits on the American and Foreign Power board.

The way the Fisher brothers handled the Baldwin situation was anything but reassuring to any one who watched their industrial expansion with concern. Men with such enormous, unplaced wealth might cause all kinds of complications and the Baldwin fight proved that they could be very stubborn, if necessary, with a perfect willingness to force entrenched capital to move over and make room whether it wanted to or not.

The Baldwin fight was one of the few episodes in the post-war era that echoed the days when the stock market was a more simple and lusty battleground. It was motivated by the same vanities and greeds that had caused conflict after conflict in the century that Wall Street and the frontier land that fed it were growing up, the issue of new wealth against old. In its larger setting the battle was dwarfed to the proportions of a mere skirmish, more amusing than important. And amusing it certainly was, as comical a bit of financial bouffe as America has produced.

On August 27, 1927, with the battle nearing its final stages, with Baldwin stock up $24,000,000 since the beginning of the year, Vauclain told newspaper men in Philadelphia: "I know of no fight. I couldn't tell you anything about the matter. It's just a newspaper story." Spry as a man thirty years old, on the job despite his age at seven o'clock sharp every morning, kept fit for battle by a physician who got $10,000 a year retainer fee, Vauclain denied that he had seen C. R. Bitting and R. F. Shields, representatives of the Fisher brothers, who, according to newspaper reports, had presented credentials and demanded places on the board on August 26, 1927. It was alleged in the newspapers that the Fisher representatives had been informed that day that there would be no board meeting on the morrow, the scheduled day, owing to lack of quorum. They departed for New York, according to the story, and there, on the morrow, had learned, to their bewilderment, that a quorum had been rounded up overnight.

Three months later the Fishers got two places on the board, but the board was increased from twelve to fifteen, to make room for them and Cutten, a sort of compromise, for none of those in control lost their places and the newcomers received only twenty per cent of board voting power instead of the twenty-five per cent they would have received otherwise.

As soon as the fight was over its comic side was forgotten and Wall Street began to discuss seriously what its results might be. Rumors filled the air, many of them ridiculous but all of them indicative of what the march of the Fishers really meant. It was reported in all seriousness that the Fishers intended to link the Baldwin Locomotive Works with the General Motors Corporation, the idea seeming to be that Vauclain would be put to work manufacturing heavy motor trucks as well as locomotives. Newspapermen even went so far as to interview Fred Fisher concerning that possibility.

He, of course, laughed at the whole thing. "That is just a dream," he said, "but it seems to have been a rather pleasant one for some people. We have to have an outlet for some of our surplus capital, and the Baldwin company, being a well-managed and established concern, naturally attracted our attention. It was for that reason that we bought rather heavily into the Baldwin company's stock. The business of General Motors and Fishers are so vastly different from the business of locomotive building that I can scarcely foresee a joining of our interests."

With the possibility of a locomotive-automobile combine exploded Wall Street decided that perhaps the Fishers intended to affiliate the Baldwin company more closely with the Westinghouse Electric and Manufacturing Company. They had quietly invested millions of dollars in the Westinghouse company, which, among other things, makes electric locomotives and other electrical railroad equipment. Baldwin and Westinghouse already had a working agreement, with Vauclain sitting on the Westinghouse board. Entrance of the Fishers into the New York Central system gave weight to the theory. Wall Street, strictly in accordance with the new financial philosophy, figured it out this way: the chief outlet for Westinghouse equipment was the Pennsylvania railroad; the New York Central was supplied chiefly by the General Electric Company; ergo, the Fishers would inevitably try to drum up trade for Westinghouse in New York Central circles.

The truth is that there were such unlimited possibilities in this family of former blacksmiths that Wall Street was apt to imagine and believe anything. Wealthy men had descended on the Street before, but, with the exception of William C. Durant, also a General Motors phenomenon, never quite so suddenly nor with such amassed, untested power, for there had never before been an industry that had grown so astoundingly and produced such gargantuan figures in such a brief span as had the motor industry. Wall Street had learned about motor kings from Durant. It was ready to believe anything about men who came the way he had come.

And so the rumors flew. It was reported in 1928 that with Cutten the Fishers planned a $500,000,000 oil investment trust. As was pointed out in an earlier chapter, men close to Cutten deny that there was any truth to the report. When the trust was formally announced, January 23, 1929, it turned out to be, as so often has happened in the case of Wall Street predictions, not a $500,000,000 but a $110,500,000 concern, and none of the Fisher brothers were named that day with Cutten as sponsors. But Wall Street continued to hear rumors. Three days later the newspapers carried a report that within a few days the nation would receive announcement of a $700,000,000 motors investment trust, the "biggest investment trust in the world," one cog in a "billion dollar circular trust embracing all branches of industry." It may happen, but to date the nation is still waiting.

The world, and Wall Street, and possibly even the other giants who move unseen across the rarefied heights of modern wealth, have more than once been aware of what the Fishers were doing only when one of them has bobbed up on the board of a new corporation. In addition to Westinghouse Electric and Westinghouse Air Brake they have invested heavily, it is said, in Radio, United States Steel, Mexican Seaboard, Anaconda, American and Foreign Power, American Rolling Mills, Standard Steel Cars and, despite the conflict in railroad equipment Wall Street pretends to see, also in General Electric. They are directors of half a dozen banks, including the National City Bank of New York, to the board of which Fred Fisher was elected in November, 1927.

Fred Fisher is a director of the United Chromium Corporation, the Michigan Bell Telephone Company and the Yellow Truck and Coach Manufacturing Company. William Fisher is a director of the Dunn Sulphite Company and the Detroit Wax Paper Company.

But it is almost impossible even to suggest the ramifications of their aggressive march into other industries than the motor and auto body industry in which their fortune was founded. Their capital is spread today literally throughout American business, especially that type of business which has produced today's mechanized civilization. For they still have more faith in mechanical things than in things such as chain store merchandising, which depend not on patents and skill of the hands, but on the more subtle mysteries of herd psychology.

All of their investments probably haven't prospered as expected. The Baldwin Locomotive stock they bought for 150 and 250 was worth only about 120 on the split shares after the crash and the plot of land their engineers estimated to be worth $30,000,000 in 1927, is back on the books, it is said, at $18,000,000.

They sold their Fisher Body Corporation to General Motors in a series of transactions terminating in complete absorption in 1923. They received in all some $200,-

000,000, it has been estimated, including cash and stock in both the General Motors and Fisher corporations. Faced with the problem of what to do with their cash, they organized a family investment corporation, Fisher & Co., in 1924. They pooled $25,000,000 behind it and placed Clarence R. Bitting in charge. Like John J. Raskob, Bitting has risen to great wealth by helping others become wealthy. Most of the Fisher investments have been made through the family investment corporation.

Fred Fisher announced publicly, August 24, 1927, at the ceremony of breaking ground for the new Fisher building, show structure of Detroit, that the $25,000,000 had grown to $125,000,00. If it grew that fast from 1924 to 1927, it possibly trebled in the unprecedented boom years from 1927 to 1929. In the crash of October, 1929, the Fisher brothers naturally lost millions in paper profits. They probably lost more in paper profits in the crash than any other group of men in America, possibly $100,000,000 to $200,000,000.

Their rise to wealth began in 1908 when Fred and Charles, second eldest, with Albert Fisher, an uncle, founded the Fisher Body Company, capitalized at $50,000. The uncle was the first president of the firm. Shortly after incorporation the nephews bought his interest. They had a hard struggle raising the money. They found the last dollar at the last moment. It is worth noting that they were launching their body corporation the same year Durant was launching his General Motors colossus. That there had been a panic the year before meant as little to them as to him.

That was the start of their rise to wealth and power but the story of how they happened to make the start must begin much farther back, in fact as far back as 1850 when their grandfather, Andrew Fisher, was shoeing horses, re-tiring wagon wheels and mending buckboards and surreys in the little village of Peru, Ohio. Their grandfather was a blacksmith and their father after him, and they, the third generation, took their places at the forge when the time came.

The time came early. Fred and Charles went to work at fourteen, after finishing the eighth grade in school. William followed them. Some of the younger brothers, Lawrence, Alfred and Edward, also took to the forge when they were old enough, all except Howard, the last in line. Howard is only twenty-nine now. Fred, the oldest, is 53. The younger ones weren't much help around a smithy, of course, although the old-timers in Norwalk, Ohio, vow they can rmember Ed, third youngest, shoeing horses when he was scarcely big enough to lift a hoof.

The family fortunes had been shifted to Norwalk by the time the seven boys came along. And things were already expanding. Their father, Lawrence Fisher, born in 1853, and their uncle, Andrew, were no longer blacksmiths in the simple. They had both learned that trade in the shop of Andrew, the elder, in Peru, but they had branched out. They were wagon and carriage makers as well as blacksmiths. Lawrence handled the woodworking and Andrew handled the smithing. Peter Theison, brother-in-law to Lawrence, handled the upholstering and finishing.

The old frame building in which the Fisher boys understudied their father and uncle still stands in Norwalk. There is still a watering trough in front of it. Norwalk is still pretty much the town it was then, a leisurely, unchanging place of some 8,000 persons. Andrew Fisher, the uncle, is, or was up to a year or so ago, still a blacksmith there, explaining to the curious that he would feel lonesome if he tried to quit. But it is wrong to say that the town is unchanged. Static itself, changes have come to it from the outside. Near the old watering trough stands a gasoline filling station, and across the street, above another building Lawrence and Andrew Fisher once occupied, there is an emblazoned sign, "Auto Mart." Along the streets flows an unending tide of automobiles and bodies by Fisher. Lawrence Fisher, the father, died in 1921. The change his sons had helped wish upon the world had been visited upon him, too. Long before his death he had abandoned his wagon shop and become president of the Fisher Auto Top Company of Norwalk. In that company Uncle Peter Theison was, and still is, the principal stockholder.

To the elite of Norwalk back in the nineties, to the bankers, the merchants and other village capitalists, it may have seemed a bit deplorable that youngsters should have to take their places at a grimy forge before they were out of knee trousers. Though probably the village magnates didn't lose much time worrying about it. In towns like Norwalk, despite a very neighborly sort of democracy, economic philosophy was as static as population. A banker's son was expected to be a banker and a blacksmith's son was expected to be a blacksmith.

Undoubtedly the early introduction to an anvil and hammer often seemed deplorable to the boys, themselves. But Lawrence Fisher, the father, had his own ideas about that. His father had believed that a boy should learn a trade early, and he believed likewise. Hard work, he used to say, never hurt any one, a popular philosophy in those days when America was younger. And, of course, though no one could possibly have foreseen such a result, the tight, economic philosophy that forced the boys to bench and anvil in knee trousers was the best thing, from the standpoint of wealth and power, that could have happened to them. Before they had beards they knew how to make carriages, and it was to men who knew how to make wagons and carriages that the new horseless buggy industry, stirring with the new century, was to offer some of its greatest opportunities. William C. Durant graduated from buggies into automobiles. The Studebaker brothers graduated from wagons.

When Fred Fisher, twenty-four, stalwart and ambitious, emigrated to Detroit in 1902 he went as an expert carriage maker and mender. He had learned his trade just in time. The automobile industry was getting into stride. Henry Ford had already organized two companies and stepped out because of difficulties with other stockholders. The Olds Motor Works in Detroit was producing 4,000 cars a year in 1902. A year later Durant was to take charge of the Buick company and Ford was to incorporate the Ford Motor Company of today.

Fred Fisher went to work in the Wilson carriage factory, one of the largest of that day. By the time he was twenty-six he was earning four dollars a day in the drafting room, and keeping an eye peeled to learn how such a big business was carried on. Before long he was given full charge of operations. He was prepared for that, too, for in addition to learning his father's trade back in Norwalk he had managed to spend two years in a Sandusky, Ohio, business school.

In another part of the Wilson factory when Fred Fisher first landed there, Henry Ford was tinkering with what was to become the most famous automobile in the world. Ford was never connected with the plant, merely using it, by agreement, for his experiments. An old photograph hangs in Fred Fisher's Detroit offices today. It shows Fred Fisher and Henry Ford standing in front of the same bench in the factory, though they were never associated in business, then nor later.

Soon Detroit was bustling with the new industry it was to dominate and the Wilson company began making automobile bodies in addition to carriages, not a very difficult expansion, those early automobiles being little more than buggies without shafts. The principal problem in the beginning was how to build a carriage capable of withstanding the terriffic speed of twenty miles an hour. Fred Fisher helped solve it. He and Charles and William, both of whom had followed him to Detroit, thus knew the automobile body business and had a hand in it from the start.

The Fisher Body Company, which they founded in 1908, grew astoundingly. It grew faster than any of the various motor companies it supplied. It had to. It had to keep pace with the growth of all. If the output of each of the companies it supplied increased a hundred per cent in a year, the Fisher company had to increase its own output 200, 400 or 500 per cent. There was a ceaseless struggle to get necessary new capital and even more necessary factory space to keep up with the expansion demanded.

Two other brothers, Louis and Aaron Mendelssohn, did heroic duty. Louis Mendelssohn, an architect and engineer, made a specialty of designing factories. He became interested at once in the Fisher problems. He joined the company as treasurer in 1909. Aaron Mendelssohn even earlier had become a secretary. It is sometimes said that there could have been no General Motors Corporation without a Fisher Body Corporation. It is also said that there could have been no Fisher Body Corporation without the Mendelssohns. Their ability to get new capital and throw up new buildings became one of the seven wonders of Detroit. Louis Mendelssohn became chairman of the board of directors, a position he still holds.

In passing something should be said of Albert Fisher, the Detroit uncle, who helped launch the company and then stepped out into comparative obscurity. He, too, was a blacksmith. He had worked at the forge of Andrew, the elder, in Peru. Like Lawrence and Andrew he had branched out into the carriage business. He was making carriages in Detroit when his nephews arrived there to try their fortunes. There were four sons born to Andrew Fisher, the elder. All became carriage makers except one, Joseph, who took to farming. It was a prolific family. Andrew, the elder, had eight children, four of them girls. Lawrence, his son, father of the seven Fisher brothers, had eleven children in all.

Today the Fisher Body Corporation is known wherever automobiles run. Its factories, scattered throughout the world, turn out "Bodies by Fisher" in an unending stream. And the Fisher brothers sit high in the councils of the General Motors Corporation. Indeed, they are given chief credit by some for that corporation's progress in recent years. Fred Fisher is vice president. William is a director. Lawrence is president and general manager of the Cadillac subsidiary.

The Fishers had only 100 employes in 1909. Before they merged with General Motors they had 44 plants in 13 cities and employed upwards of 50,000 men. They owned forests for timber and sawmills to cut it. It required 15,000 freight cars a year to haul their timber to their plants. They owned the National Plate Glass Company, which produced 30,000,000 square feet of glass a year. It has all happened so quickly and so recently that perspective is impossible. But there is one set of figures that forms an amusing measuring stick. In 1910 the Fishers received an order from the Cadillac company for 150 bodies, an order so large that it became the sensation of the day. When they merged with General Motors thirteen years later the Fishers were turning out 574,979 bodies a year.

The Fisher Body Corporation of today, organized in 1916, includes the original company, the Fisher Closed Body Company, organized in 1910, and the Fisher Body Company of Canada, Ltd., organized in 1912. The Fisher Closed Body Company is a story in itself.

In business for themselves less than a year, the Fishers began discussing closed cars in 1909. They talked to one automobile manufacturer after another. All were deaf. One of the biggest of them all argued with Fred Fisher in 1910 that "nobody would ride behind so much glass." That idea was echoed by the general public. Motorists perched elegantly in yellow dusters on the high-seated runabouts of that day vowed they would never risk their lives in cars that were all closed up. The automobile was only eight years away from that day in 1902 when President Theodore Roosevelt took his first ride and a newspaper editor declared, "Roosevelt's display of courage was typical of him." But the Fishers went ahead and organized their closed body company and a few years later neded so much glass they bought a glass company.

It was William C. Durant, founder of General Motors and then its president, who first recognized the possibilities of the Fisher corporation. In 1918, accompanied by John J. Raskob, he visited the Fishers and offered to buy them out. The Fishers refused. They wouldn't give up something they had created. A few months later Durant got around the difficulty by buying sixty per cent of the Fisher corporation stock, partly by exchange of General Motors stock, and leaving the Fishers in full control.

Men less used to large vistas than the Fishers had become might have considered the job of supplying the General Motors Corporation with bodies a program expansive enough for any corporation. But the Fishers insisted that they be allowed to supply other manufacturers as well. Durant agreed, so long as his own needs were taken care of. A few years later General Motors really had grown large enough to tax the Fisher factories to the limit.

In 1923 negotiations were completed which amalgamated the Fisher and General Motors corporations, the Fishers becoming additionally active in the management of the latter. And from 1923 to 1927, whether they should get the credit or not, net sales of the General Motors Corporation increased from $698,038,947 a year to $1,269,519,673 and net income increased from $72,008,955 to $235,104,826.

The Fisher brothers are, as you might expect, tall and heavy-boned. They are seldom seen in New York. They live in palatial homes in Detroit and speed along the Detroit river in so-called million dollar yachts. At periodical intervals Fred and William journey to New York to attend General Motors board meetings. And they do not listen to market tips—not any more.

They are Catholics. Fred Fisher gave $1,000,000 to the Little Sisters of the Poor in Detroit in January, 1928. A number of years ago he and his brothers gave a modern $200,000 building to the St. Paul's Parish High School in Norwalk. In January, 1929, Fred Fisher was knighted in the Order of Malta by the Vatican, along with Cornelius F. Kelley, president of the Anaconda Copper Company and other industrial leaders. In the same dispensation a friend, James A. Farrell, president of the United States Steel Corporation, already a knight, was given the Grand Cross.

The Fisher brothers work in a remarkable unison. They thresh out problems in family conference. They have been called the Rothschild family of America. No real disagreement has ever marred their councils it is claimed. They like to work and be considered as a group. The habit started early. Back in Norwalk when they were youngsters they had a shetland pony, owned jointly. They also had a family orchestra. Fred played the guitar, Charles the banjo and the sisters took turns at the piano. They have cathedral-sized organs now in their Detroit mansions.

Tailored, carefully groomed, they are still simple men. They do not carry sticks. When they are in New York they ride in ordinary taxicabs. They positively dislike to see their names written in any other order than that of their ages.

Though Catholics they contributed $100,000 to Herbert Hoover's presidential campaign in 1928, and are alleged to have been at least partly responsible for John J. Raskob's resignation as General Motors finance chairman when he became chairman of Alfred E. Smith's campaign. They are also alleged to be at least partly responsible for Raskob's failure to date to return to that executive position.

Their story might as well end with a prediction Fred Fisher is said to have made when he was shaking old Peter Theison's hand before setting forth for Detroit in 1902.

"Uncle Peter," he said, "I'm going to get in a position before I'm fifty where I won't have to care what anybody else does."

And he did.

IX

LOUIS W. ZIMMERMAN

Only a Voice

THREE thousand miles were liquidating.

Never before had such a thing happened, and, built to the needs of a financial four hundred, not a continent of speculators, the machinery of the stock market collapsed.

With the stock ticker hours behind, with prices changing so fast that even floor brokers were unable to keep advised, America fell literally into a financial chaos, an example in miniature of the anarchy civilization as a whole might revert to if all means of communication failed.

The situation was desperate in New York and Wall Street. It was more desperate out in what New Yorkers like to call "the provinces."

In hinterland brokerage houses, from Peoria to Walla Walla, men sat during the worst of the 1929 crash as ignorant comparatively of what was happening at the battle front as if they were living in stage coach days. Private telegraph and telephone wires became the one hope. The network of wires spreading from New York to every corner of the land groaned with laconic reports, instructions, orders, floor quotations, predictions.

One frenzied day in the midst of all this a very peculiar message arrived over the overloaded private wires of a Los Angeles house. The message was signed "Louis W. Zimmerman." The harassed manager of the offices was summoned hastily to read it.

That message was the day's greatest shock for that brokerage house. It instructed not that a hundred thousand shares of stock be bought or sold, as the troubled manager might have expected, but that Zimmerman was on his way to Los Angeles from San Francisco and wanted to play golf the next afternoon. Would the manager please round up a foursome and order luncheon served at the club?

The manager proved equal to the burden. Friends were telephoned and cajoled into taking the afternoon off. Favorite caddies were commandeered. The weighty problem of which soup and which salad should be served was settled with the club steward.

Then the manager—himself not a golfer—hurried back to the grind of reassuring some customers, jogging others for more margin and trying conscientiously to tell all what to do when no one could possibly know. And the next afternoon Zimmerman, biggest trader on the West Coast, played golf. While lesser speculators were again staring at the tardy ticker tape, their business, friends, hobbies, families almost obliterated in their concentration on the fatal hieroglyphics, Zimmerman was deciding such grave issues as whether to use a mashie or a spoon on a cuppy lie.

The old Wall Street finds it hard to understand a man like that, just as it has been hard put to understand other unconventional men from the West who have turned the market topsy-turvy in recent years.

Once the Street would have declined to take seriously a man who, if the stock market interfered with golf, might give up the market. But Zimmerman has to be taken seriously now. He made from $10,000,000 to $75,000,000 in the bull market from 1925 to 1929. How much he made it is difficult even to guess, for of all the large operators of the post-war decade he is one of the most mysterious and unknown. Wall Street knows him as little more than a voice, a voice calling from three thousand miles away and placing orders that seem miraculously always right.

Zimmerman is a good example of a small army of unknown men who wield powerful influence in the stock market, whose names rarely are heard by the public at large. Indeed, they are little enough known even to Wall Street. They are an entirely new phenomenon in the Street's history, a product of the bewildering expansion of American industry in the last quarter of a century. That expansion has created great fortunes so rapidly that no one, not even the Wall Street experts, can keep track. There are 40,000 millionaires in America, according to official Washington estimate based on income tax information, and any one of them is apt to become a power in the stock market if his temperament and abilities lead that way. Each, quite like the seven Fisher brothers but on a smaller scale, has a surplus to invest, and the line that divides investment from speculation is a thin one, easily stepped over.

Information about this army of unknowns is, of course, hard to obtain. Compared with them, the Cuttens, Durants and Fishers of the market are open books. Months of research, carried on in a score of states, would be required to authenticate the weird stories told about them.

One of them, it is reported, travels about the country in a private car, equipped as a rolling office, from which he carries on operations involving millions of shares of stock in a year. To keep in touch with the market while en route from one of his factories to another he is arranging now to receive stock quotations by radio. A private station in the East will, it is said, broadcast ticker prices on a short wave length just for his use.

Another, operating from a small Western town, scatters his orders by wire through a score of Southern and Western brokerage houses, according to another story. By scattering his orders in such an unusual fashion, instead of dealing direct with New York, he keeps any one from knowing what he is doing, and the world still believes him to be what he was only a few years ago, a moderately influential small town millionaire. He has traded, it is claimed, however, in $10,000,00 to $15,000,000 worth of stock in a month's time. Right after the worst of the October crash, when Wall Street brokers were totalling things up and discovering they had lost from fifty to eighty per cent of their customers, there was a sudden wave of orders from the West. It was a miracle. Rather flabbergasted the brokers attributed the new buying to little men out in the hinterland, small bargain hunters who hadn't been in the market before. The public's buying power, they chortled, had been only partly destroyed. But, if the story is true, much of that buying came from this one man scattering his orders through a score of hinterland cities.

Most of these unknowns are Western men, of course. They wouldn't escape attention so easily if nearer the battle front. But not all. There was one pool on Broadway, according to reliable reports, which got little public notice. Composed of seven men, theatrical producers and playwrights, it is said to have won $873,795 per man in one moving picture stock in 1928. Similar stories filtering through Wall Street could fill pages, but the general effect would be one of fiction rather than fact. There are dozens, scores of these men, the real mystery men of the new Wall Street that runs not from a river to a graveyard but from an ocean to an ocean. So far as the Western ones are concerned Louis W. Zimmerman is as good an example as any, if not the best. How little he is known is indicated by the fact that no photograph of him could be located in New York, Chicago nor Los Angeles for publication in this book.

Zimmerman followed Cutten into the stock market. He and Cutten have been friends for years. Zimmerman lived in Chicago up to a few years ago. He followed Cutten's lead in the grain pits, picking up neat though smaller profits whenever Cutten did. He rode with Cutten in the spectacular rise in wheat in 1924 and 1925 and made a number of millions, though none of the newspaper stories of the time mentioned him among the winners.

In the "greatest bull market in history" he speculated for the most part in the same stocks as Cutten. He assembled thousands of shares of Radio and Montgomery Ward at below 100, getting in at about the same levels as Cutten did. The two men worked in rather close agreement though both speculated as individuals. Half a dozen other Chicago industrialists and speculators were in on the same plays.

Unlike Cutten, who changed from a speculator to an investor in the end, holding on to large blocks of his stocks, Zimmerman sold out at the top a few months before the crash of October, 1929. He took 300 to 400 points profit on some of his sales, in addition to huge profits made on in-and-out trading during the three years of rising prices.

When the crash came he was completely out of the market and had his money on call. When prices were near bottom in the crash he started buying again. His biggest sidelines are utilities and oils, and in December he was reported to be back heavily in both.

He keeps a personal representative, an energetic young man named William Ragland, constantly on duty in New York to watch the market and see that his orders go through. He operates through half a dozen brokers, though Ragland has a desk in the offices of Jackson Brothers, Boesel & Co., 26 Broadway, a Chicago firm which lately shifted its main office to New York.

He often telephones Ragland a dozen times a day, sometimes three or four times in an hour. All of his orders, except those handled by Los Angeles brokers, are telephoned. Obviously, he is one of the telephone company's most valued subscribers. His telephone bill runs into thousands of dollars a month.

It is not unusual for Ragland to pick up the telephone and hear his chief, perhaps just back from eighteen holes, say casually, "Better buy 50,000 shares on a scale down." He is an inveterate golfer and the market never interferes with his game nor score. There is a story that one day in the autumn of 1928 he was undecided about his position in a certain stock. He donned his knickers before going to his office and played nine holes. That cleared his mind. He stopped at the clubhouse at the end of the nine holes according to the story, and telephoned orders involving several hundred thousand dollars. Then he finished his game.

Zimmerman has a typically Western viewpoint. He takes his advice not from Eastern experts but from Western amateurs. Like Cutten, Durant, the Fishers and others from out in the sunset he repeatedly disregarded warnings of conservative Eastern brokers during the long rise, repeatedly defied Wall Street tradition.

The West was peculiarly in the saddle from 1925 to 1929 and the Western viewpoint caused the conservative East many a sleepless night. As a market observer wrote in the New York Times, September 30, 1928: "It is easily established that the West controls the present market and that the orthodox market players of the East, meaning mainly conservative bears on the Stock Exchange and plenty of plungers, too, have dropped millions of dollars in an ineffectual attempt to stop the tidal wave of stock buying. The difference has been that the Eastern market players, including most of the Stock Exchange members, have been playing the market by note, following customs, precedents, rules of order and established theories. The Westerners have been playing by ear and they have gotten away with it. The cash profits that they have taken from the market have been tremendous. Their paper profits are even larger."

Zimmerman wasn't the biggest Western operator in the market. Others overshadowed him. But he played no insignificant part in that untraditional Western control that upset all precedent and prediction and ushered in a new era in Wall Street. Indubitably Western he is in appearance and manner as well as in viewpoint, ruddy of face, brusk, blunt, with a taste for minding his own business and attending to it in his own way.

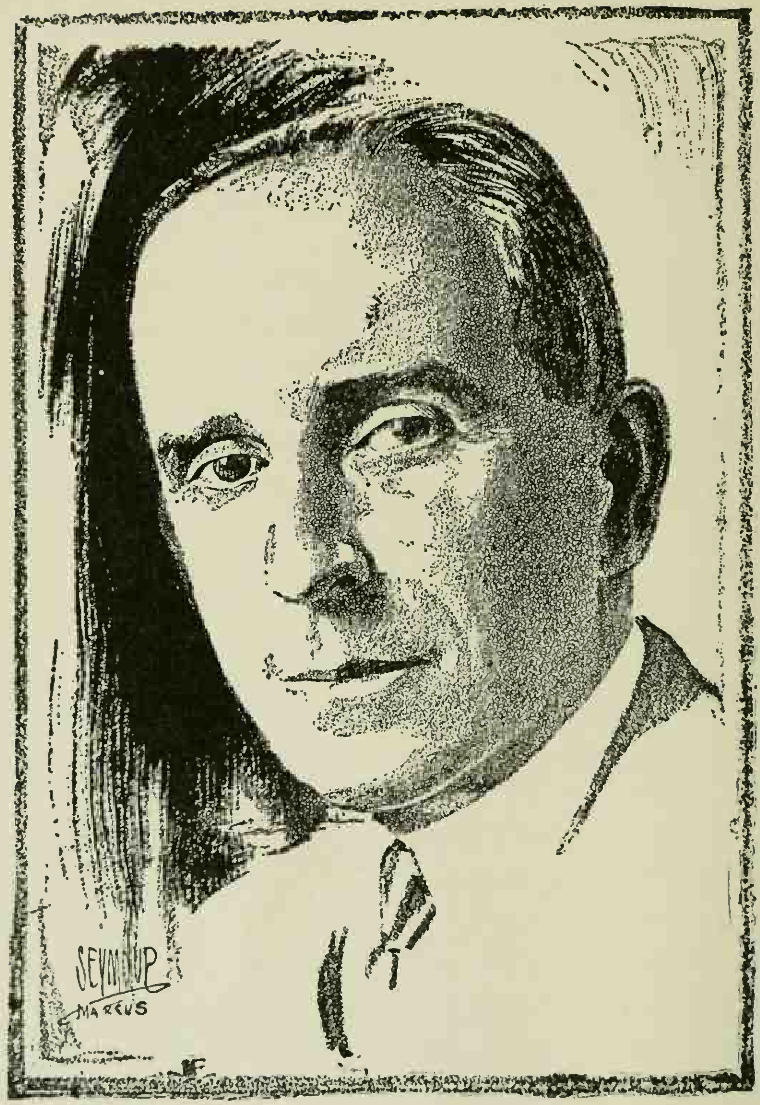
Like others of the Western breed he is a bull first, last and all the time. He dislikes short selling. Those close to him claim he has never sold a share short in his life. When the crash came he preferred to stand aside rather than make a profit out of it. The same thing can be said for most of the other Westerners who made and controlled the bull market, a close-drawn group of financial lumberjacks, who, descending suddenly on a settlement of more careful-tongued Easterners, confounded them with wholesale exaggerations, tall tales and taller doings.

Zimmerman got his first stake as an importer and exporter. Later he built up a tallow business in Chicago, the last kind of business you might expect a plunging market operator to come out of. But they come out of any kind of business these days. He moved to Los Angeles a few years ago to give his only son a better playground. He built a $500,000 home in Belair, a suburb out beyond the movie belt.

He is around fifty now, with a shock of gray hair, a round Teutonic face and a friendly smile, unless he is crossed. He shrinks from publicity.

He employs several experts who study the market constantly. He never speculates in a stock until they have made a final report concerning the condition of both it and the corporation. He denies, however, that he "knows the market."

"Impossible," he once told a friend. "A man may learn something about values and men in a lifetime but not the market. Why, if half the people who think they know the market really did know it there wouldn't be any Wall Street."


SEYMOUR
MARCUS

X

JOHN J. RASKOB

Maker of Millionaires

DOWN on the pavements, twenty-three floors below, newsboys were hawking panic.

Down there the tumbrels were rolling for minor plutocrats, even a few princely ones. When next the Republic's administrators gathered on Capitol Hill to debate income taxation they would find the upper brackets awesomely shrunken.

But in this watchtower, higher than its mere twenty-three floors, for from it those initiated to its mysteries surveyed a continent and a nation, there was pervading calm. Far removed from any hurly-burly of the world was this tranquil place of velvet carpets, seductive chairs and ambassadorial desks.

The stock ticker clacked faintly here, hidden down a corridor, ticking off ruin as negligibly as a mantel clock ticking off eternity. On the face of the short, heavy-shouldered man, whose gay shirt, void of coat, enlivened the quiet, there stood no beads of perspiration, no drawn lines of care.

John Jacob Raskob, twenty years ago a $3,000-a-year stenographer, now millionaire a hundred times over, had little cause to worry. He had sold thousands of shares of stock at the peak of the market.

Other thousands of shares which he hadn't sold he owned outright, safe in his bank vaults, where no havoc of the herd could touch them. He would lose millions in paper shrinkage, but if a man is rich enough, periodical shrinkage is a good thing—a bargain sale of the world, at which he alone can buy.

Let the mansions of mammon tumble. No need for him to worry who was both wealthy and wise.

Terror was abroad in the land today, but he would feel it only distantly. And tomorrow or after, when prices had reached bottom and all were bankrupt except the mighty, he would begin buying again. There would be good bargains and he would know what to buy.

And yet . . . and yet. . . .

If fate had taken a different turn men would be blaming all this today upon him.

Had Alfred E. Smith gone to the White House, he, John J. Raskob, campaign manager and chairman of the party, would have become Secretary of the United States Treasury, the Andrew W. Mellon of the Democrats. And simple would any man be not to know that, in power, the Democratic party would have been blamed from one end of the land to the other for the inevitable prosperity panic of 1929, the seeds of which were planted when President Warren G. Harding first began summoning bankers to the White House in 1922.

So, of all the men who helped make the stock market during the fervid and cycle-fraught years of Republican prosperity Raskob occupies the most peculiar position.

He is admittedly one of the largest stock investors in America, controlling immense blocks of numerous corporations. Called a "maker of millionaires," a casual sentence from his lips during the heyday of inflation had the power to turn Wall Street upside down.

Not even President Coolidge could more affect the market in those roaring days when speculators, springing ecstatically from bed each morning, breakfasted on the newest oracles of finance and politics and, braving indigestion, rushed helter-skelter to the nearest broker, check books in hand.

Sailing for Europe March 24, 1928, Raskob remarked casually that General Motors stock, then at 187, should be selling for 225, or fifteen times its earning power. General Motors went to 191⅞ the next day, a Saturday. The following Monday it went to 194, to 199 and touched 200, and Wall Street went through the delirium of a 4,285,000-share day, including 500,000 shares of General Motors, the wildest day in its history up to then, for the days of 9,000,000 shares and, finally, of 16,000,000 shares were still far away.

It wasn't long until speculators had decided that stocks were worth twenty times their earning power, even twenty-five times, and always General Motors went up. General Motors reached 224¾ before the end of 1928 and went to 228 on the split shares in 1929.

Whether Raskob sold any of his own large holding of General Motors is, of course, problematical, but probably he did, for long before it reached its peak he had changed his bullish attitude.

In the end, he didn't have to reach Washington to be blamed for what eventually happened.

Throughout the political season of 1928 it was rumored that he was plunging in the market and profiting enormously from the spectacular advances in prices for which he was at least partially responsible. He took notice of these rumors October 5, 1928, and announced flatly that since becoming national Democratic chairman he had not "purchased any stock whatsoever."

But he went further than that. He announced that it wasn't the time to purchase stock, that security prices had "so far outrun demonstrated values, earning power and dividend returns that a material readjustment is necessary," and that, though the business outlook was sound, there was nothing "to warrant the belief that corporations can increase their dividend payments sufficiently to make the yield on present security prices compare favorably with the high cost of money."

Immediately a general howl went up from Republican politicians and Democratic speculators alike. Raskob, they cried, was disgruntled. He had been optimistic enough when Al Smith was campaigning for the Presidency but now he was trying to destroy Republican prosperity. Nor had the hue and cry died down even a year later.

In October of 1929 Senator Robinson, Indiana Republican, stood on the floor of the United States Senate and attacked Raskob as a lucky market plunger, who had advised every one, even persons with small means, to speculate in stocks.

Raskob's warning in October, 1928, had no effect. The Wall Street that had listened to him before had become suddenly blind and deaf. Speculation went on and on, driving prices to unbelievable heights, until finally the crash came.

Now that it is all over it can be stated definitely that Raskob wasn't a market plunger.

At no time during the long rise did he trade on margin, and if he sold any of his holdings at the peak he did only what he had advised the public to do.

As he himself puts it: "I have always purchased stocks outright, investing in the securities of those companies which I thought had an attractive future, and have held the stocks until such time as I felt they were selling for all they were worth."

He had sizable investments at one time, according to Wall Street, in General Electric, United Steel and Montgomery Ward. Whether he unloaded these holdings late in 1928 at enormous profits is not known. One stock he didn't unload was Radio, of which he holds thousands of shares bought back in 1927 at below 100. Like

Arthur W. Cutten, who also held an enormous block through the peak and decline, but on a somewhat different basis, Raskob apparently believes that Radio is a good stock for permanent investment.

Mike Meehan, the Radio specialist, helped interest Raskob in that stock, just as he helped interest almost every one else who got into it. As was pointed out in an earlier chapter Meehan was a member of Al Smith's "kitchen cabinet" of which Raskob was head chef. All of the "kitchen cabinet" took fliers in Radio, including William F. Kenny, the wealthy New York contractor who told a Senate committee investigating presidential campaign expenditures that he would give his shirt for Al Smith. Smith, himself, is said to have invested.

Though Raskob invested heavily he asserts he was not a member of any pool in Radio nor in any other stock. Like the seven Fisher brothers, Raskob is a man who has had enormous influence on the market merely because he possesses one of the largest fortunes in America and must find a place to invest it. More talkative than the Fisher brothers, more accustomed to the spotlight and more shoved into it by political developments, he had also, as has already been said, an enormous verbal influence. Through him more clearly than most industrial leaders it is possible to discern the enormous opportunities for stock market profits that were open to men in charge of great corporations during the long bull market. That market in its final phases was, like professional baseball, largely made possible by newspaper publicity, some alleged newspapers even going so far as to tout daily tips. As William C. Durant pointed out in June, 1929, though not in criticism but approval: "The New York Times, which is in every sense a newspaper, not a financial paper, devotes thirty-two per cent of its news space to market prices of securities and commodities, statements of earnings, offerings of new issues and general financial information. The St. Louis Globe Democrat, the Chicago Tribune, the Los Angeles Examiner, the Cleveland Plain Dealer, the Louisville Courier Journal and dozens of others devote from fifteen to twenty per cent of their news space to the financial education of the public."

The American public was avid for oracles, and regardless of whether or not Raskob ever availed himself of the opportunity, any important industrialist wishing to pick up a few millions had only to assemble a supply of the stock of his corporation and then announce rather casually that it looked as if earnings would be up for the year, or that production had been increased or even that business conditions in the Republic were sound. If Raskob didn't avail himself of the opportunity there were other industrialists who did.

Though not a member of any pool Raskob was a member of a loosely defined and unorganized group that had great influence in the market, chiefly because of the aggregate of buying power. From twelve to twenty millionaires formed this group, most of them men who had made enormous fortunes through the prosperity of the General Motors Corporation since 1920, including Alfred P. Sloan, Jr. and Pierre S. du Pont. These men speculated and invested as individuals but usually on the same hunches and in concert. Any stock they put their united efforts behind was bound to rise. Not a speculator on margin, Raskob, like every large investor, did at times borrow money on securities owned outright, using the money thus obtained to buy other securities outright. Which is just what the small speculator on margin does, except that the broker goes to the bank, puts up the stock and does the borrowing. It is all the same thing but the big fellows have a different name for it.

Raskob's stock market formula is a good one. It raised him from a $5-a-week stenographer to one of the richest men in America, though he, himself, gives credit elsewhere. "I believe," he says, "that there is a divinity which shapes our ends. I'm positive it was so in my case."

His father died when Raskob was 19. In 1902, then 23, he wrote a friend in Lorain, Ohio, a young draughtsman, asking if there was a job for a good stenographer. "I think there is," the friend answered. "A man named Pierre S. du Pont, who owns the street railway here, needs a stenographer." Raskob got the job at $1,000 a year.

Several years later Du Pont, with other members of the family, inherited the E. I. du Pont de Nemours Powder Company.

Pierre became treasurer, and Raskob became his assistant at $3,000 a year. The young assistant rose rapidly in influence within the company. In 1913 Raskob met the magnetic William C. Durant, and became sold on the future of the automobile business. He, in turn, persuaded Pierre du Pont and together they bought 3,000 shares of General Motors, a corporation Durant had founded, had lost and was attempting to regain.

Du Pont and Raskob found themselves the arbitrators in a gigantic battle between Durant and the bankers who had ousted him. How Durant enveloped the General Motors Corporation with his little Chevrolet company, how General Motors stock soared in a little more than a year from 82 to 558 has been told in an earlier chapter.

In the midst of the fight it developed that Du Pont and Raskob held the balance of power, the other 160,000 shares being equally divided between the two embattled groups. According to Raskob it wasn't Durant, with whom they were eventually to join forces, who brought them the news but James J. Storrow, member of the General Motors board and one of the leaders of the anti-Durant faction.

Storrow arranged a secret conference with Raskob in New York a few weeks before the board meeting in October, 1915, which was to terminate the five-year voting trust of the common stock which the bankers had demanded and obtained in 1910. Raskob went to the conference mystified.

"You and Mr. Du Pont seem to hold the balance of power in General Motors," said Storrow, after a few preliminaries.

Raskob's eyes, peculiarly wide and open at all times, opened wider.

"Why, ridiculous," he laughed. "We have less than 3,000 shares."

"That's true," agreed Storrow. "But that's enough to tip the scales. The former owners claim to have control, but their holdings and those of the bankers are so evenly balanced that you will have the deciding vote."

Raskob went back to Wilmington and had a conference with Du Pont. They decided not to tip the scales in favor of the bankers. They decided, in fact, that a compromise would be better than a fight.

When the General Motors board meeting took place, the bankers were drawn up on one side of the long table, the smiling but determined Durant on the other, with Raskob and Du Pont holding down one end. There have been few meetings more dramatic.

After several hours of fireworks, with both factions trying to win the 3,000 votes, Raskob put in a few words that were to have as much effect on industrial history as any ever spoken before or since.

"You seem to have confidence in Mr. Du Pont," he said. "Why not allow each group to nominate seven directors for the stockholders they represent, and Mr. Du Pont to name three, making a board of seventeen directors?"

That was done, and thus Raskob and Du Pont found themselves launched into careers as motor manufacturers, both taking places on General Motors board, Du Pont as chairman.

The fight continued another year. In January, 1916, the banking group appealed to the stockholders by letter to accept another voting trust for three years. Another appeal was sent out in March, 1916. The bankers were growing desperate for the indefatigable Durant was continuing his disturbing maneuvers. How, aided by General Motors stockholders, he exchanged shares of his his little Chevrolet company for shares in the mighty General Motors Corporation was explained in an earlier chapter. To aid him in that unconventional manipulation he had on September, 23, 1915, recapitalized his $100,000 company at $20,000,000. Shortly thereafter the capitalization was increased to $100,000,000. So many General Motors stockholders had flocked to exchange their General Motors stock for Chevrolet stock that the offer was closed January 26, 1916.

Later in 1916, Durant announced to the banking group that his Chevrolet company held $85,000,000 of General Motors stock and control of General Motors and demanded that a meeting of the board be called. He walked into that meeting and voted 450,000 of the outstanding 825,589 shares of General Motors, for in the meanwhile, by one of the many moves and countermoves in that celebrated battle, the stock of General Motors had been increased. Storrow and others resigned from the board soon afterwards.

Closer contact with the motor industry and with Durant gave Raskob more and more faith. He shouted that faith in the ears of the thirty directors of the Du Pont company. That company was already making Duco paint and artificial leather for automobiles and its treasury was swollen with war-time profits—that ever recurrent American story of enormous capital and the necessity of finding a place to invest it. Raskob prevailed. From 1917 to 1919 the Du Pont company invested $50,000,000 in General Motors—and found itself involved in difficulties.

The story has already been told of how Durant threw $90,000,000 to the winds in 1920 trying to bolster up his reeling, over-expanded corporation and protect the stockholders who had helped him found it in 1908 and who, through the Chevrolet company, had helped him regain control in 1915. So far as the powder makers in Wilmington were concerned that catastrophe meant just this: that they were up to their necks in a business they knew little about and which appeared to be going to the dogs a dozen different ways at once.

Raskob was, it can be believed, a very troubled, harrassed man during those trying days. He had been made vice-president of General Motors, and on February 21, 1918, chairman of the finance committee, a position he was to hold until his resignation ten years later to become chairman of Smith's campaign. He had persuaded the Du Pont company to invest $50,000,000, and right then his judgment didn't seem to be anything worth starting a roof-top demonstration about. But he was to live happily ever after and see that judgment vindicated fabulously. He was to see the $50,000,000, plus $25,000,000 that was added in the rehabilitation, increase in value to $600,000,000. He was to take a leading hand in guiding the colossus through the shoals and in building it into a manufacturing and distributing organization that would be the marvel of the world. He was to come to a time when men would speak of his ability in awe and praise him for the fact that in 1926 on an inventory of $120,000,000 the colossus did more business than in 1920 on an inventory of more than $200,000,000.

The new era of General Motors began with a black-browed conference late in 1920 in the offices of the General Motors corporation, at Broadway and 57th Street, New York City. The conference began late in the afternoon. Many men attended that conference, very prominent men. Desks were pounded and strange things were said. Night came and still the talk went on.

Some of the men slipped away for dinner and theater engagements. They returned hours later in their evening clothes. The conference was still going on. They walked to and fro, the long tails of their jackets swishing, their opera hats pushed to queer angles by their frowns. The air grew stale with the smoke of Coronas. Boys bustled in with necessary coffee and White Rock.

All night the conference continued. Some time after 6 o'clock the next morning it ended. In the dirty dawn that seeps down through the New York skyscrapers the gentlemen adjourned, some of them still in their evening clothes, to a Childs restaurant around the corner. There they had breakfast while milkmen and the kind of workers who have to be on the job at 7 A. M. stared from other tables. A new chapter in industrial history had been written.

Many days later the world learned that J. P. Morgan & Co. had helped refinance General Motors, that the Du Pont company had plunked down another $25,000,000, that Durant, the irrepressible Durant, was out.

When Raskob resigned from the finance committee in 1928 to take charge of Smith's campaign, his old boss, Pierre du Pont followed him. Neither has returned to executive control. Shortly after Raskob resigned his place on the finance committee General Motors stock began to drop steadily and it was rumored he was selling much of his holding, but this was never confirmed.

Du Pont and his former stenographer still have offices together, now at 230 Park Ave. The one stock ticker is down at Du Pont's end of the suite, in a storeroom.

Raskob still uses shorthand. When the General Motors board, of which he is still a member, meets, he jots down notes just like the stenographer he used to be. Sometimes, if no paper is handy, he jots notes on the starched cuffs of his gay shirts, a trick he learned years ago when rising young men did that sort of thing. It is a trick that dates him in this soft shirt era, like the trick his hero, Al Smith, has of rolling a cigar from corner to corner of his mouth, as great politicians were supposed to do when Al was a boy down on South Street.

Raskob, himself, does not smoke, though his paternal grandfather, emigré from Alsace, was a cigar-maker. If Al Smith hasn't taught him to smoke a cigar, he has taught him to wear a derby hat. He didn't think much of derbies back in 1915 when he was a member of the Friday Night Dancing Class in Wilmington, Del. He still wears a felt hat when he goes back home, where everybody knows him as Johnny Raskob. His shirts are always gay and he likes to work in his shirt sleeves.

He goes home every week-end. Prosperity and progress have made a sort of big business bachelor of him. His wife declines to live in New York. She stays in Wilmington with the eleven children in the palatial manor house, Archmere, on the Delaware River, show place of the countryside. In summer the family moves to a rustic retreat, Pioneer Point, Md., where Mrs. Raskob grows flax and keeps a splendid stable of horses.

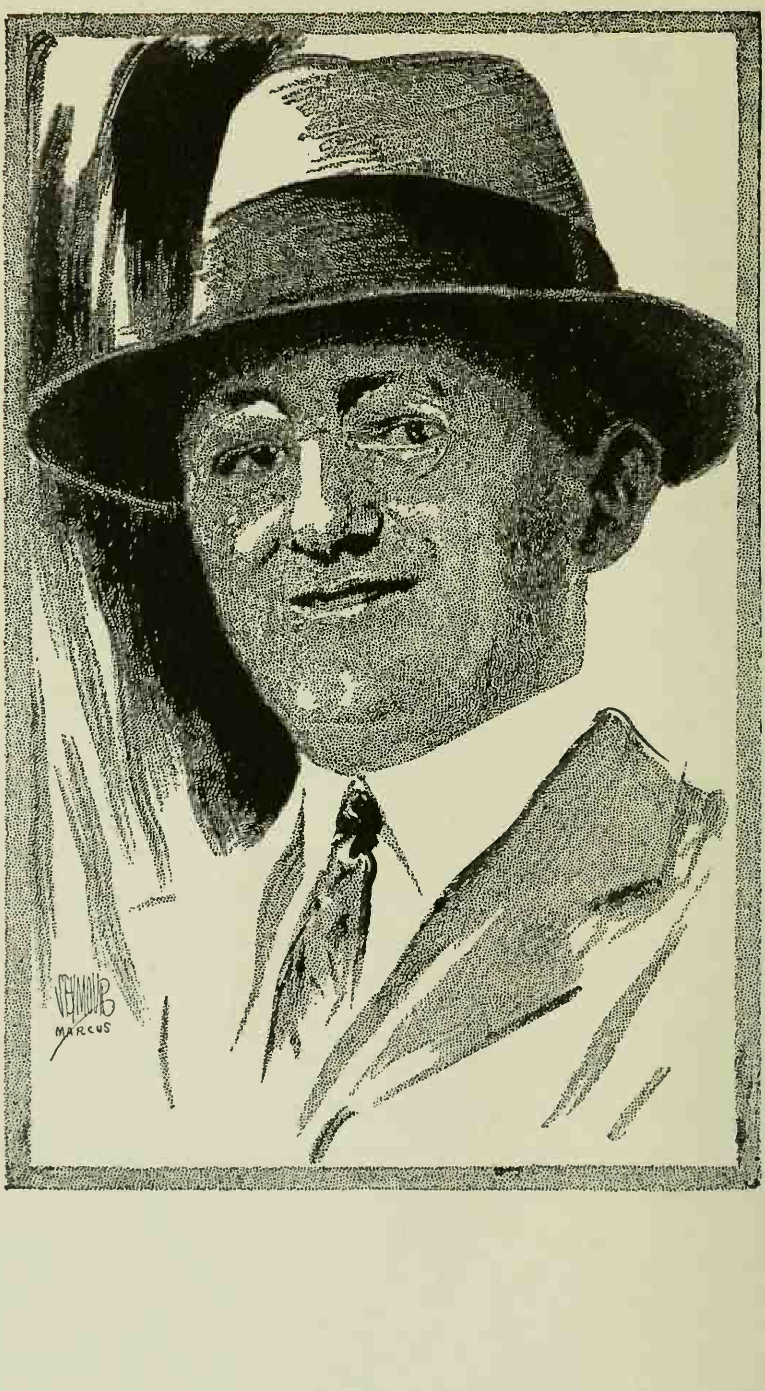
There has been less joy at Archmere and Pioneer Point since the death of William, the second son, in an automobile accident in the summer of 1928.

Raskob keeps bachelor quarters in the Carlton House. When Mrs. Raskob comes to New York with some of the children to shop, he declares a holiday and helps her. There is a large oil painting of the children in his private office here. Under the painting is a long leather folio containing photographs of each, ranging in ages from a son in Yale and three daughters in a convent to youngsters still in the kindergarten stage.

Though he made his fortune in automobiles Raskob seldom takes the wheel of one. He keeps two Cadillacs in New York but often leaves his chauffeur idle and walks. He likes sailing better than motoring. In summer he handles the sails of his auxiliary sloop Patsy, named after a daughter.

On the train from New York to Wilmington he spends his time reading. He is a member of the Book of the Month Club. Sometimes he almost misses his train. A friend tried to help him a few years ago by giving him a wrist watch. He couldn't get used to it and carried it around in his trousers pocket.

He is called a "maker of millionaires" because, while actively connected with General Motors, he arranged for eighty executives to invest their savings and some borrowed capital, a minimum of $25,000, in company stock. All were made millionaires, but several by failing to heed his stock advice in October, 1928, were unmade. He announced in May, 1929, a plan for a wage earners' investment trust, which would give workingmen a somewhat similar opportunity to invest in stocks he recommended. The stock market crash has delayed the working out of the plan.


SEYMOUR
MARCUS

XI

GEORGE BREEN

Doctor of Sick Markets

OUT along the hogbacks of Texas and Oklahoma, where derrick lights mimic the stars, the huskies had done too well. There was overproduction of oil.

In March, 1926, the price of crude collapsed. The stocks of oil corporations went tumbling after. And thousands of speculators who wouldn't know a string of tools from a bull-wheel found themselves suddenly involved.

Those who were able borrowed on their insurance and posted new margin. Some were wiped out and are still wondering why. But the little men had no monopoly on trouble.

In scores of velvet-piled offices in lower Manhattan there were hasty conferences. Personages arrived in town cars and stamped around in spats, saying harsh things about the jazz frontier and its blasted inefficiency.

The illustrious were snagged, badly. For months they had been accumulating oil stocks in preparation for several large impending mergers. Eleven companies were to be affected and eleven pools had been formed to operate in the stocks. More than 2,000,000 shares had been assembled, which, once the mergers were completed, the insiders planned to sell on the rise at millions of dollars profit.

But now there would be no mergers. The insiders faced the problem of getting out of their stock in a sagging market.

So they called George Breen.

If you are one of the many who bought oil stocks from the end of 1926 to the end of 1928, or if you held such stocks from before the break in crude you are a fit witness to testify to Breen's prowess.

He touched skilled hands here and there. The market steadied and came about. It grew active. Interest revived. There were little booms and flurries, cadenzas played on the Big Board by practiced fingers. Men who a few months before had been unwilling to touch oils with a pole began to say they were worth watching after all.

To make the story brief, Breen, in a sick market, distributed—or you can say marketed—every share of stock held by the eleven syndicates without a dollar of loss to any of them.

He has been doing things like that for the last ten years. He is a specialist at getting harassed millionaires and bankers from under, a doctor of sick markets, a stock psychiatrist. Not that that is all he is for he's a bit of everything. He, too, like his friend Joe Higgins, is a runner of pools, a captain of the guards and one of the dozen or so largest operators in the market. He worked in close affiliation with Arthur W. Cutten, Mike Meehan and the seven Fisher brothers throughout the Coolidge market, and came out of that upheaval with unestimated millions.

Possibly the best way to describe him is to contrast him with Jesse Livermore. Livermore specializes in running markets up and down and making millions for himself and for those with the courage to commission him. No novice at that trade, Breen specializes additionally in keeping markets steady and getting his clients out without their losing millions. He can bull or bear a market to any one's taste, but his greatest exploits have been feats of equilibrium. Or, at least, he wishes them considered his greatest. Livermore, thus, is a man on a flying trapeze. Breen is a tight wire walker. It might be added that when Breen starts walking his wire Livermore has usually just finished a swing on his trapeze.

For differentiation, then, if not essentially, the story of George Breen is the story of what happens after the circus is over. The customers are leaving the big tent. They have had their excitement; even, one is tempted to say, their money's worth, though some of them haven't enough left to buy popcorn. Which, indeed, is the point. There isn't any money left, and the doctor, balancing on his tight wire, out beyond the exits, must gather them into the sideshow. Step right up, la-dees and gents, the performance is just . . . but this treatise is becoming difficult, with a doctor of sick markets become somehow a tight wire walker in front of a sideshow. It will be safer to retreat to simpler language. To state the whole thing more matter-of-factly, powerful banks and syndicates depend on men like Breen after a boom and panic to steady prices and market stocks which couldn't be sold during the turbulent days of deflation.

Being altruistic you have naturally been worrying and wondering all along what those poor bankers would do with all that stock they bought in a crashing market, those bankers who scurried to the House of Morgan on October 24, 1929. George Breen, or some one like him, is the answer.

The consortium of bankers pooled $240,000,000 to stabilize the market. Being a bit flustered that first day, the 12,000,000-share day, for bankers can get flustered as easily as any one else, they bought rather indiscriminately. They found themselves loaded up at the end of the day with a varied assortment of securities that a banker in Bogaloosa would have known not to hold on to. They dumped much of this the next day when the market rallied. Some George Breen, some specialist at the delicate art of not rocking the boat, helped them do it.

After that, on the following Monday, and on Tuesday, the 16,000,000-share day, the bankers became more themselves and confined their buying to so-called pivotal issues, blue-bannered stock that could be held for long-term investment.

Or, as the New York Times explained it, January 16, 1930:

"Purchases for the group were made by the Morgan firm and held by them for the account of the group.

"The group's purchases on the first day of its organization covered a broad field. They were aimed to correct the condition on the Exchange described by Thomas W. Lamont, partner in the Morgan firm and spokesman for the group as 'air pockets,' that is, situations in which offers of stock met with no bids, or at best with bids far below the last previous sale.

"As a result, the group found itself at the end of its first day's activity with an assortment of securities, a great many of which could not be called 'pivotal' stocks nor be looked upon as suitable for long-term investment. Much of this stock was disposed of the following day when the market rallied and thereafter the group confined itself more closely to the support of such market leaders as United States Steel and similar investment securities.

"The securities now remaining in the hands of the group are all of this high grade it is understood. Such market selling of the stock purchased by the group as has gone forward since the break has been designed, it is understood, largely to eliminate holdings which would be unsuitable for long-term investment."

By that date, January 16, 1930, the holdings of the consortium had been reduced, in the Times's words, to "considerably less than $100,000,000 worth." This stock, the Times explained, would "not come on the market" but would "be taken up by the six banks composing the group," adding:

"The ultimate disposition of the securities after they have been distributed to the individual banks composing the group will be in the hands of those banks and will no longer be dictated by the group as a whole. It is understood, however, that there is no disposition on the part of these institutions to sell their shares immediately."

Well, bankers don't have time to sit close to a stock ticker for weeks and months, subtly building up deflated prices and slowly unloading stocks without loss. Even if they had the time, they probably wouldn't be very good at the job. Administering digitalis to a convalescent market is a profession, learned only by years of pulse-holding and anatomical experiment.

From October 25, 1929, to the middle of January, 1930, in a still very panicky period, the bankers got rid of millions of shares of stock they didn't want to hold a moment longer than they had to. Whether George Breen was the doctor consulted is something that won't be known for years if ever. His only answer to inquiry as to what he was doing in the market the day before yesterday is a vague smile and a mention of the weather. He is willing to discuss what he was doing this time five or ten years ago, but not what he was doing on Friday of last week. Millions more shares still held by the bankers will eventually find their way to the market. Whether George Breen will be in charge of that distribution is anybody's guess. But this is known and certain: the bankers turned to him for just that kind of service in 1922, following the collapse of the wartime market.

When the late J. Ogden Armour, the Chicago packer, got into financial difficulties in the 1920 crash, for example, he owed millions of dollars to forty-two banks scattered throughout America. Armour had pledged more millions of shares of various stocks as security. Among the larger banks affected were the Chase National (one of those in the 1929 consortium) and the Chatham Phenix, of New York, and the Continental Commercial, of Chicago.

Specialist Breen was summoned in 1922. They turned over to him more than $92,000,000 in stocks and commissioned him to sell them without causing financial indigestion or any break in prices. It was a big job. Burned investors were just as skittish then as they are today.

But the doctor got to work. One month there would be a flurry in this stock, and next month in another one. Prices went up. They had to. Holding $92,000,000 worth of stock he wanted to get rid of, Doctor Breen bought millions more of the same stock. A strange way to get rid of something you don't want, to buy more of it, but such is Wall Street, a topsy-turvy little world, certainly. When you want to sell you buy. When you want to buy you sell. Remember the criticism Livermore is alleged to have made of the bankers' efforts to support the crashing Coolidge market, to wit; that, wishing to buy, they should have sold first, thus getting double the effect, for the same amount of original capital.

So, Doctor Breen bought, because he wanted to sell. As he bought, prices went up, and the skittish investors came in. As they came in, the doctor quit buying and let them do it. And before long they had bought all the stock he wanted to get rid of, including the additional millions he, himself, had bought in building up the market.

It took him eighteen months to do it, hard work day after day, week after week. But in the end Breen had sold every share without appreciable loss in value and without a dollar's loss to the banks involved. And, strange to say, some of the investors who unknowingly bought stock from the doctor in 1922 and 1923 made fortunes on it in the "greatest bull market" which was to begin so soon afterwards.

Breen was virtually weaned in the stock market. Son of James A. Breen, Curb broker and operator who spent 43 years in the Street, he could read a stock ticker before he was 7, and before he was 15 he knew all the general operations and used the jargon of "the Street" as other lads used slang and jabberwock. Today, at 39, the younger Breen has spent 23 years in Wall Street, and looks it.

He looks at least ten years older than he is. He admits with a grimace that Wall Street did that. Walking a tight wire to the applause of bankers is a nerve-racking business. But it has made him immensely wealthy. He is a millionaire many times over.

Breen's offices on an upper floor of the Chase National Bank Building, 20 Pine Street, are misleading. Open the door with the small gold letters and you'll believe you are in the wrong place. This, surely, must be the suite of some leisurely, corporation lawyer, not of a man caught in the hurly-burly of Wall Street. There is quiet here and calm, a hush that lulls.

But push through the rear doors and you'll find yourself in another world. Stock tickers chatter; assistants and clerks bustle; telephones ring constantly.

Chicago calling. San Francisco, London, Paris, Berlin. A corps of telephone operators bend over their instruments. Staccato reports from the money battlefield flash forth to the generalissimos on the far hilltops. There are eighty private telephone wires in those rear rooms and all are busy daily.

That the man who controls all this should have come up from the Curb is the most interesting part of the whole story. Before the World War his office was a street corner. In those days, before the Curb Exchange grew prosperous and moved indoors he stood with the others of his kind athwart a Wall Street gutter, trying to lift his voice above the roar of traffic. He started to work at sixteen. He huckstered like any vegetable peddler in the dust of the street dodging automobiles to close a deal. No network of private telephone and telegraph wires then. When he wanted contact with his customers he, like the others, had to raise his hands and make grotesque signals, to be picked up by an assistant perched crowlike on a window sill above the street. And some of the gardeniaed members of the New York Stock Exchange, who watched him and his kind in those days with aloof amusement, now vie with each other to get his business.

Three of the leaders of Wall Street today came out of that, Higgins, Meehan and Breen—four, one might say, for Livermore, too, though not as these others were, was a member of the Curb up to 1926. There is, perhaps, a deep implication in the fact, that the men who stand out in the Street today—the lieutenants and marshals, that is, not the giants from the West and motordom who hold control—are for the most part men who came up from the kind of thing that the aloof, gardeniaed, tailored New York Stock Exchange used to be. The days when the Stock Exchange could produce hereditary Ned Harrimans are apparently over. Its seats cost from $300,000 to $400,000. It is a place of standardized business not of strident power. It can produce clear-headed, excellent brokers, able to handled mountainous markets that would have bewildered even the giants of the past, but it doesn't produce rulers. The rulers come from places where the battle has been too rough and tumbling for boutonnieres.

Like Higgins and Livermore, though all of them could do it any time they desired, Breen has never bothered to take out a membership in the Stock Exchange. He resigned his Curb membership during the World War. The Big Board left him no time to be a broker.

In recent years he has managed to systematize his business in a way that has relieved some of the strain. He can operate efficiently now whether in his office or not, in Paris as well as in Rye, his summer home.

In the winter he lives at the Sherry-Netherland, where so many other market makers live, and many days does not appear downtown at all. In the Sherry-Netherland he makes much use of M. J. Meehan's branch office.

In summer he keeps in touch with the market and his office through Harriman & Co.'s branch office in the Westchester Country Club at Rye. Like Louis Zimmerman, the Los Angeles operator, he maneuvers intricately and makes millions between golf games. In summer you'll find him, just as likely as not, planted in knickers in front of the ticker, idly swinging his favorite mashie.

He takes more pride in the Westchester Country

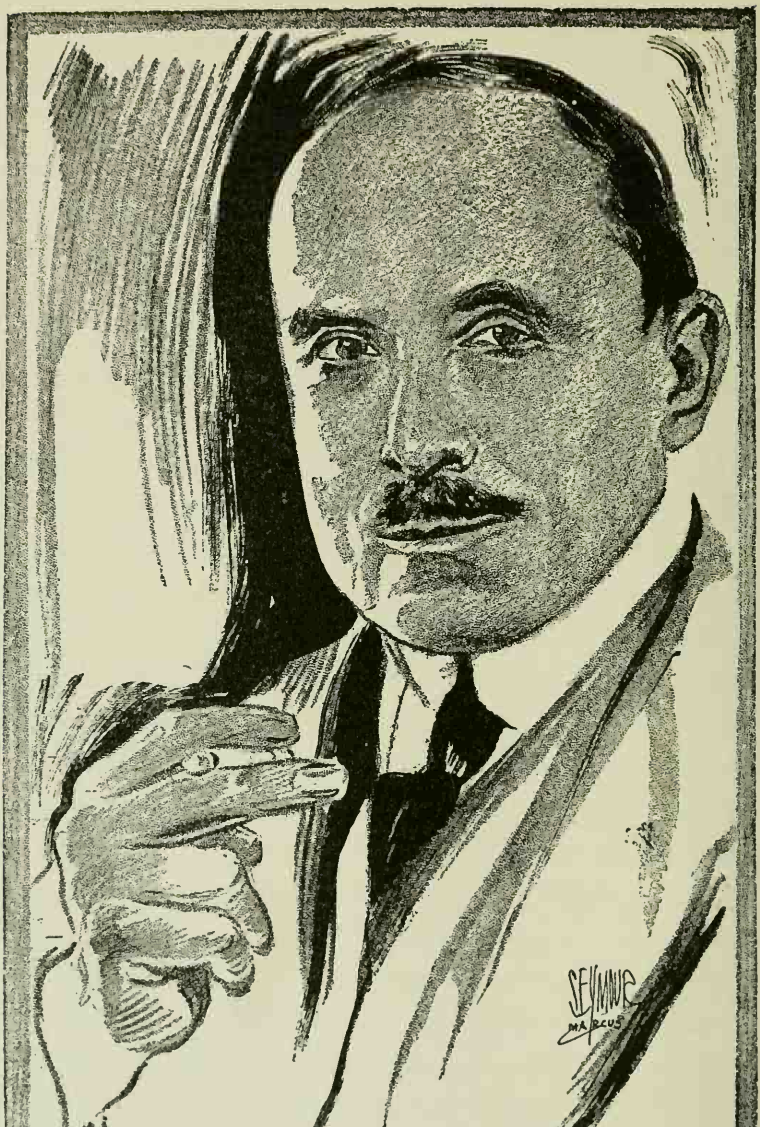
Club than in any movement he has ever been connected with. That club, often called the "Millionaires Country Club," is his pride and joy. He led in its organization, arranged its financing and is now its president.

Breen and his associates paid John McEntee Bowman, owner of the Biltmore hotel properties, $5,280,000 for the Rye property in 1928. The club had been operated on a semi-public basis up to that time. With money at 9 per cent, George Breen carried the purchase through, and then proceeded to round up as dazzling a membership as any country club in America can boast.

Among those he induced to join were Arthur W. Cutten and Fred J. Fisher and his six brothers. The club became literally an inner circle of market makers, and its nineteenth hole became as important financially as a bankers' mass meeting.

He is quiet of voice, deliberate of movement. Medium in height, inclined to stoutness, he watches the stock tape through heavy lensed spectacles. Neither of his two sons, now 7 and 11, will ever do it if he can help. There will be no third generation of Breens in Wall Street, unless, as has happened before, the Street is ineradicably in the blood.

"I hope the boys will go into some manufacturing business," Breen asserts, "where they can do real constructive things. The stock market is too wearing. Look what it has done to me. I am 39 and I look 50."



SEYMOUR MARCUS

XII

HARRY CONTENT

The Old Guardsman

SO, THERE they are, the new men of Wall Street, who created the "greatest bull market in history" and who survived its decline and fall.

There are others, of course, whose stories should be told. Herbert G. Wellington and Alfred H. Caspary, for example, brokers and independent operators who were behind a number of spectacular movements of recent years. They are said to have been jointly responsible for the several hundred points rise in American Can. Wellington is said to have helped William C. Durant bull United Cast Iron Pipe, a stock in which Durant made one of his early killings in the Coolidge market.

And Wiley R. Reynolds, the Jackson, Mich., banker who, very much a novice in the stock market, hurried to Wall Street in 1921 to protect the stocks of several companies he had invested in from marauding bears. He was so successful that after the bears were licked he remained and became a power on the bull side from 1925 to 1929. He is said to have made from $20,000,000 to $50,000,000 in the Coolidge market. He was aided in his operations by Joe Higgins.

And Alexander Sinsheimer, only a few years ago a $2 broker, a middleman on the floor, who made millions during the boom years. His firm, Monteith & Co.—in which he does not bother to include his name and which occupies offices almost as dinky as the one room from which Commodore Vanderbilt once operated—has its hands full taking care of Sinsheimer's own speculations.

And James A. Healy and Peter J. Maloney who bulled Montana Power and Anaconda. And Jay F. Carlisle who bulled Bethlehem Steel. And P. F. Cusick, often called "Durant's most trusted broker." And Richard Whitney, the so-called Morgan broker, brother of a Morgan partner, who was entrusted with the first large buying order issued by the consortium of bankers during the crash of October, 1929. And Bernard E. Smith, said to be a favorite broker of the Fisher brothers. And a number of others.

But enough has been written by now to give some idea of what the new men of Wall Street look like and how they work.

What, one wonders, would the past think of them? Not the future, for the future, of course, will smile, inevitably. The future, when newspaper men are hunting adjectives for another "greatest market," when stocks are valued at a thousand times earning power, when consortiums are handled by circular letter and trading is done by pari-mutuel machines, that future will smile and wonder what all the shouting was about back in quaint 1930.

No, not the future. It is difficult for today to patronize tomorrow. More pleasant not to think of it at all. But yesterday; well, that's a different matter. Dear old, romantic yesterday, that makes today loom so large and important. What would yesterday think of the new Wall Street, of its achievements, of its cubistic efficiency, of its mass-production regimentation, of its mountainous markets and its mountainous men. And when you get to wondering in that fashion you come to Harry Content.

Yes, miraculously, he is still present and accounted for, the man who, as a youth, watched Uncle Daniel Drew, Jay Gould and Jubilee Jim Fisk trim Commodore Corneel Vanderbilt for $7,000,000, who saw Wall Street storm Jay Cooke's bankrupt offices in 1873, who went short and down when Morgan, the elder, started a panic in 1901 with a paltry 150,000-share order for Northern Pacific, but who came back to hear Roosevelt and Harriman roaring at each other in trust-busting, trust-building 1907. The picture is incomplete without him.

Tenth oldest member of the New York Stock Exchange he is, forty-five years in harness, and he doesn't think so much of . . . but why ruin the story. Let Forrest Davis tell it as he told it in the New York Telegram after the prosperity panic of 1929.

. . . .

The office windows overlook the decaying memorials in Trinity churchyard. Street noises rise faintly, deadened by passage over that mellow acre. The only urgency comes from the church tower, which tosses the quarter hours across the graves.

In that placid office—with the fierce, photographed moustaches of Tom (Frenzied Finance) Lawson and group snapshots of ladies wearing bustles and trains, gentlemen in broadcloth and round bowlers gazing on—Harry Content relaxed on a certain afternoon in early November, 1929.

Harry Content, the Old Master, wearied from a mad, disorderly siege on the Stock Exchange floor, lighted a straw-tipped cigarette and reflected on the state of the market and of other markets.

He hadn't done so badly. In a riotous, huckstering market, with grinning ruin standing at the elbow of every broker, with other brokers' customers vanishing like an October snow, Content had pulled through.

Only three customers—and the 44-year-old house of H. Content & Co. has many accounts—had been wiped out.

Only three customers lost—out of hundreds. The Old Master, worn to a fine wire of nervous tension by the day's trading, turned one of his instantaneous, warming smiles on the partners who gathered about his desk.

The talkative Negro porter, in a constant state of awe at his boss's magnificence, marvelled at this new example of his more than human capacity.

Harry Content, broker for the Guggenheims, who are to copper what the Rockefellers are to oil; broker, at one time and another, for virtually every important personage in the Street, had helped to make the Coolidge bull market. But, unlike numerous of his colleagues, he was warily prepared for the break.

The Coolidge market collapsed like a house of cards on a house full of youngster brokers, not one in ten of whom ever had withstood a panic. It was a startling experience, devastating some.

But to Harry Content—in his forty-fifth year on the Stock Exchange—it was just another panic. The biggest, surely; incomparably the biggest; yet, in the final analysis, just another panic.

It isn't easy to rattle a market leader who as a youth, the son of a trader, mingled with the cursing mob around the Cupid fountain in the Gold Room the day the Jay Gould-Jim Fisk gold corner blew up. That was Black Friday.

Nor is it easy to unnerve a broker who survived the Jay Cooke debacle in '73, the Grant & Ward collapse of '84, the panics of '93 and of '95, the Northern Pacific corner in 1901 or the Roosevelt-Harriman crash in 1907.

No; you couldn't rattle Harry Content—the slender, dapper Old Guardsman, with his antique courtliness, flexible features which intermittently work into a beaming smile, his long, pointed, restless fingers—with a panic, no matter how huge.

Thus, on Black Thursday, October 24, and on the following Tuesday—the 16,000,000-share day—Content, poised, smiling, exceedingly well-groomed, smilingly sauntered about the floor. The ozone-charged atmosphere smelled more acridly of the sulphur of the pit; the annunciators clacked more furiously, the floor became as densely packed as a Lexington Avenue express at 5: 10 P. M., the ticker spun out a fantastic story of ruin—and Content might have been at a tea party in a Gramercy Square brownstone front.

He sold, and bought to prop the price for another sale, and sold, and never did his right hand know what his left was up to.

Bland, a good liver of cheerful countenance—somehow he reminds you of that fragrant, lusty period when John W. Gates and the other plungers, the gallant buckaroos of Wall Street, gathered in the old Waldorf bar of an evening to pop corks, whack up the day's dividends and construct new pools—Content is still the wiliest operator on the Stock Exchange.

Other brokers tell you that Content can "hide" a trade better than the best of the youngsters, the beardless brokers who were in their cribs when he helped Jim Keene make the market for U. S. Steel.

There was a market-making operation for you. It was in 1901. J. Pierpont Morgan, the fierce Titan who fathered the trusts, had merged Carnegie's and a group of other steel foundries, and the trust. He had well over a billion, a colossal sum in those days, of securities.

The stocks and bonds had to have a market value. They had to be traded in freely to fix the new trust's place, its financial strength. Morgan sent for Keene, the Wizard.

Keene, in turn, sent for Content. The public was prepared. The Street was on its toes. How would Steel—now the dependable index to the market—be received?

"Harry," said Keene, "I want you to handle Steel common on the floor. Taylor will take care of the preferred." Taylor, T. J., was Keene's son-in-law.

The brokers approached the day of listing apprehensively. It is possible that even the impregnable Morgan growled a bit more hoarsely that morning. But the first day's trading in Steel proved an anti-climax.

Content will tell you that Steel's reception was too good to be true.

"I sold 120,000 shares that day," he recalled. "And I only had to buy 20,000 shares to support the price."

Nevertheless, the part he played in launching that mammoth industrial empire is one of Content's choicest memories. So, likewise, is his recollection of the day in the following May (United States Steel was introduced in February, 1901) when Morgan cornered Northern Pacific.

Content went broke that day, trying to cover his short interest in Northern Pacific. There was no Nipper to be had and it soared, momentarily to the dizzy peak of $1,000; a stock worth $100.

He chuckles, looking out over the churchyard waste land, as he recalls going broke in 1901. But he sobers, and with vast pride, assures you that his house has never failed. He and his father, Noah Content, before him, weathered every panic from Gold Friday onward.

The secret of his house's strength? Two things. His mother, bless her old-fashioned soul, he says, admonished him the day, a young hopeful, he ventured into the Street, to be honest.

"Son," said she, as he tells it, "never cheat for money."

Moreover, the reputation he has acquired for secrecy, his proclivity for keeping his left hand in ignorance of what his right doeth, has brought him the custom of great manipulators.

How does he "hide" his trades? One gathers that it is by his blandness as much as by methods. However, he does use very practical methods. He seldom places an order with a specialist, that is to say, a broker who stands at one post and deals in one stock, principally.

To do so would let the specialist in on his operations. Moreover, he seldom trades with a $2 broker, i. e., a middleman, a brokers' broker. Usually he splits his orders among floor traders for other big houses.

Presumably, he believes the big house will have less curiosity about whence the orders proceed than a specialist, or a $2 broker.

At all events, whether the market is up or down, frenzied or dull, Content strolls about the floor, always on the move, smiling, mysterious, sure-footed—the genial Sphinx of the Big Board.

Content has made and, helped to make, many markets over the years. Sitting in his old-fashioned office, soft-spokenly communicative, he will tell you about the remote ones, like United States Steel. But when it comes to market operations so recent as the Coolidge boom, he closes up like a genteel oyster.

He will concede that he has been active in copper. The Guggenheims are his friends, of many years standing. Here in this room, with Lawson's ferocious moustache bristling from a wall, he has accepted an order to buy 100,000 shares of a copper given and received as casually as you or I buy a pair of theater tickets.

He has, he will tell you, handled many a 100,000-share lot.

But he shies at dates and disclosing the names of the issues. He is a commission broker, the tenth oldest member of the Stock Exchange, and he is bound not to divulge the details of his trades nor the business of his clients.

"When hell popped down here last month some of the biggest men in the Street called for Content," a partner in a Wall Street house had said.

Would the Old Master reveal his operations during those harassing days? He gave his sudden smile and changed the subject.

He would rather talk about the old days. Describe John W. Gates, "the biggest gambler of them all," ancient or modern. His trades for, and, with, Gates. Or tell about the astonishing prescience of James R. Keene. Or Lawson. He traded for Lawson.

"I always liked Lawson," he said. "A bit eccentric, but likable."

Content handled the whirlwind depredations of Lawson, the stridulating enemy of Wall Street. And after Lawson went broke, trying to lead his army of small investors in a sortie on the Wall Street citadels, many a thousand-share lot was bought in his name, and the profits mailed him by Content.

The Old Master, credible reports have it, was the principal factor in the catapulting of Kennecott Copper, the great Guggenheim copper property, during the Coolidge boom. The details are not available in the club-like offices of H. Content & Co.

He traded for Allan Ryan, who cornered Stutz to his sorrow.

He has operated for the Lewisohn family, another copper oligarchy; for the Baruchs, Bernard and Sailing.

One Saturday morning Content waded into the market, unobtrusively, and emerged with control of the National Lead Co. He bought, before the rest of the traders knew anything of moment was afoot, 75,000 shares of lead.

Lead was $15 when the market closed for the weekend. On Monday it went to $40 a share. He didn't have a corner; he abhors corners, but he and his group had control.

The sound of the word pool strikes his ears indelicately. Samuel Untermyer, counsel for the Pujol committee in 1912, tried for an hour to get the Old Master to admit he was familiar with pools. The word, it may be interpolated, should be syndicate.

Finally Untermyer's wrath exploded, when the witness suggested that the cross-examiner might enlighten the court with respect to pool operations if he wished to search his own experience.

Content helped to give Sinclair Oil its ride on the crest of the Coolidge bull market. He and his group were loaded up on Sinclair.

There have been other giant operations, dozens of them over a career reaching toward the half century. A market figure in 1901, Content still is to be reckoned with.

But it is largely as a survival of the days when giants walked in Wall Street; as a reminder of those archaic, graceful days when stock broking was a gentleman's trade, a daring, jolly business, that the Old Master catches the fancy of the financial district now.

It is easy to visualize Content driving downtown behind a span of dapple grays, who prance and curvet as the gray-silk-hatted coachman tools them along the trolley tracks in Broadway. Easy to imagine him in an impeccable broadcloth frock coat, a Prince Albert, entering the more leisurely Stock Exchange of the Rooseveltian era.

His far-flung suite, at 111 Broadway, is in contrast to the shiningly efficient, interior decorated offices of his juniors in the Street. The offices have an air, an expansive air, clubby, dignified.

No tricky new gadgets stare at you from every corner or bit of wall space. The chairs are deep, comfortable as those in a gentleman's club of the Chicago World's Fair era. Employes, mostly tending toward middle age and older; solemn, elderly gentlemen wearing moustaches that match Tom Lawson's, come and go at a measured pace.

You might have stepped out of 1929 into 1901.

H. Content & Co. encourage no small accounts. Their customers are a sort of club. And women are barred. It is a stag club. The Old Master is old-fashioned about women trading. He is also a little despondent about the age that permits them to gamble in stocks.

Wall Street, however, is not what it was. There was more honor in the old days. Not so much of the almighty dollar.

"When Gates and his friends agreed to make a 100,000 share syndicate you didn't find one of the partners sneaking downtown to sell out half his holdings," said Content. He believes it's hard to make a successful syndicate operation now. You may be buying from yourself.

Content's canniness is rivalled by his brother's. He and Walter are a perfectly matched team, in the word of a leading broker. Between them they've kept the house off the rocks and in 1929 they were ready as usual to take a panic in their stride.

XIII

CONCLUSION

The Truth About Wall Street

NOW that it is all written a doubt begins to dawn. Some way, this isn't Wall Street.

The words are more dramatic, more exciting than the reality. Words are that way. They have a life and a vigor of their own. To put anything down in black and white is to change it. The wind does not sigh nor roar. It merely happens and is indescribable. The word home connotes things that home, itself, never meant. Men die for their country and die only for a noun.

Millions of tourists visit Wall Street every year. Most of them are disappointed. It is just a street, and nothing happens. They are as disappointed in it as they are in New York's other famous street, Broadway, which is only Main Street back home grown up, bigger and gaudier, yes, but not the Great White Way the words would have it. Broadway is more a Bowery or a state fair midway than anything else. Wall Street is a dirty, crooked little lane, with a caricature of a minister preaching on one corner. His sermons are the only exciting things to be had.

Those of the tourists who have bankers or home town brokers can enter the New York Stock Exchange and stand in the visitors' gallery. Resting their well-nurtured elbows on the balustrade, they are even more disappointed than the less fortunate who must stand outside listening to the reverend. Those outside think exciting things are going on within. Those inside learn better.

Not that the floor of the Stock Exchange isn't worth seeing, a vasty stone barn of a place filled with an ant hill of men. But it isn't what all the words that have been written about it year after year would lead any one to expect to see.

Pictures are drawn and descriptions are written of brokers pulling and hauling at each other, each trying to shout the other down, a frenzied, shoving pack of men. Perhaps that happens on rare occasions, but you can go there day after day and stand hour after hour and never see anything more exciting than groups of ten to twenty-five, or possibly fifty men, standing in various clusters speaking figures at each other. In the growingly disorderly days leading up to the final collapse of the Coolidge market, newspaper men went every day to get word pictures of the supposed riot, and actually and literally found nothing to write about.

There were disorderly scenes when the 12,000,000-share day, and finally that 16,000,000-share day, arrived, but disorderly only in comparison with the genteel atmosphere that had prevailed customarily. If Mike Meehan got his coat almost pulled off one day, that merely means that he got mussed up much more than might be expected in a place where half the rioters wear blossoms in their lapels. As a matter of fact, the chief rioting on the worst days of the 1929 crash was indulged in by the visitors who had stormed into the gallery expecting excitement. The visitors became so unruly on the 12,000,000-share day that they disturbed the brokers working on the floor, and the gallery was closed. No, it wasn't on the floor of the Exchange that excitement was to be had but in brokers' offices, where customers with two days of beard on their faces could actually be seen weeping unashamed. But that could be seen in Peoria and Walla Walla as well as in New York.

Mike Meehan is an example of what Wall Street is in words and what it is in reality. He, as has been said, is the first man visitors to the gallery ask the attendants to point out. The uniformed attendants point. The visitors strain their eyes. Where? Way over there. See that bunch of men by the Radio post. That short fellow with the horn-rimmed glasses.

It is dénouement. The visitors, having believed in words, expect to see a wild scene. They see only a clubby, though busy, cluster of men, with the hero doing nothing more exciting than raising his hand every now and then and doing mathematics on an open pad. Sometimes, of course, the cluster grows thicker and voices are raised higher and men grab the hero's arm to claim his attention, but never as thick and as high-pitched as the words would have it. It isn't nearly as exciting as a good auction sale.

Mike Meehan can get into a rougher tumble any afternoon in the subway. But, notice the vigor of words. One must describe what happened in Radio. It becomes a "wild bull movement," for, after all, a 400-point rise in a year is "wild." Any of the other words that might be used would be just as vigorous. And one must describe what happened to Meehan on the most vigorous days. So, the mass of brokers around him are compared to a subway jam at 5 P. M., out of which terrific brawl Meehan emerges "hollow under the eyes." He did. But 18-year-old stenographers stand two hours a day week in and week out in subway jams, and they, too, get hollow-eyed. Also, Meehan, during the worst of the crash must be described as getting only a few hours of sleep at night on the lounge in his office. That's true. But country bankers, newspaper men, doctors, railroad switchmen, lawyers, merchants, milkmen all have done the same thing, and because it wasn't put down in black and white it seemed just an unfortunate necessity of a routine life.

The visitors in the Stock Exchange gallery, having stared a bit bewilderedly at the Radio post, ask the obliging attendant to point out a few more celebrities. The truth is, that the visitors, filled with a century of words about Wall Street, expect to see great, dominant, striding men. Again there is dénouement.

The obliging young man points, and explains. Over there by post No. 12, the tall, youngish man, slightly bald, that is Earl Smith, who married Consuelo Vanderbilt. And there's Stuyvesant Fish, at the next post. See him, in the crumpled gray suit and red tie—the broker whose launch was boarded by customs men in the harbor last year. That dark fellow sitting down over there is Charles Havemeyer—the fellow who saved those people in Bermuda that time.

"And see that distinguished gray-haired man," says the young man. "See him, the one in the gray suit, bending over talking. That's James Russell Lowell's grandson."

That bald man, smiling, is General Oliver B. Bridgman. He specializes in Steel. He was well known in the army. That man with his hands in his pockets is W. B. Wadsworth, oldest member. He started in 1869.

One by one, from the far-flung but oddly restrained mêlee on the floor, the young man picks out the illustrious, giving each his tag. This one used to be head of the Holy Name Society. That one handled J. P. Morgan's business on the floor in the panic of 1907. Over there . . . but the visitors have become a bit bored by now. They have come to see giants of Wall Street, not a rather leisurely assortment of men who must be identified by some happening that has nothing to do with Wall Street. They want to see men who need no other tags but their own names.

Alas, apologizes the young man, there aren't many. He is rather regretful. He is destroying an illusion. He explains that, of course, the great operators in the market never come on the floor, that only member brokers are to be seen inside the Stock Exchange.

Perhaps if the visitors could see the giants of the market in operation they would be just as disappointed as they are in the brokers. If excitement is lacking on the floor of the Stock Exchange, too much of it must not be expected in quiet offices where the giants hold forth. These gigantic operations are much more exciting on paper than they are in reality. Even the World War wasn't as exciting as the words would have it, which is why the stay-at-homes have so much trouble getting the veterans to talk about it. The popular illusion is that the boys can't stand to talk about the terrible things they saw and took part in over there. The truth is that they don't talk because they have little to talk about. Their most exciting days were in Paris. Some of their hardest days were spent peeling potatoes. But words and words have been written about the war and who are they to spoil the picure?

A few paragraphs back it was said that newspaper men, when they went to the Stock Exchange to get stories of the excitement, returned to their offices empty-handed. Here is proof, an eye-witness account of the floor of the Exchange on the greatest day in its history, the 16,000,000-share day, as told in the New York Telegram:

"The 16,000 square feet of felt-padded floor in the New York Stock Exchange arena is a land of peace and plenty.

"Outside the collapse is a reality. Elderly widows haunt their brokers; slim, athletic young-old bankers descend from motor cars at the pointed apex of the House of Morgan; clerks, lunch-bound, shout the record two-hour figure—8,000,000 shares; a Tammany orator mentions the 'stress in Wall Street.'

"But inside the sacred quarter there is order—prosperity. . . . A broker at No. 2 post, known as the U. S. Steel post, whistles to a clerk. It is a shrill sound and it rises to the visitors' gallery, deserted since Black Thursday, as a signal of the immense disquietude that underlies the market. . . . Yet, the 900 brokers actively trading are no more, nor less, excited than on a normal 3,000,000-share day.

" 'You seldom hear an individual outcry,' said a spare, elderly attendant, speaking of the whistle. 'Today you hear them occasionally. A call or a whistle.'

"William B. Wadsworth, his gray, parchment-like features suggesting a man in a cloister more than one in a pit on a day of great reckoning, moves toward No. 5 post. The posts are like bronze stockades, inhabited by clerks in seersucker and linen coats.

"Wadsworth pauses to stroke his chin. He has held his seat since 1869. In all that time, sixty years, he never has witnessed a day like this one.

"Mr. Bouvier—M. C. to his partners—chats with a colleague. Also a member since 1869, the events of this disturbing day seem somewhat remote.

"Brokers in gray hats, brokers with unbared heads, small brokers, fat brokers, athletic brokers, dyspeptic brokers—most of the 900 seat holders are operating under the placid Stars and Stripes and the blue banner of the State of New York that hangs over the north entrance.

"That is the Stock Exchange on the greatest day in its history."

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E. S.

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